

The Relationship Between Customer Journey Development and Business Model Innovation

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Summary

The body of literature covering business model innovation has become expansive but is still relatively exploratory, in particular with respect to methods of business model innovation. The concept of the customer journey is well-known in practitioner circles, but is not discussed as a unit of analysis within scientific research. The customer journeys approach does however draw on scientific research in the areas of marketing, service design, business process management, customer relationship management, psychology and behavioural research, making it a strongly multidisciplinary approach both in theory and in practice.

Through a case study of customer journey development in a large, diversified financial services company, this paper examines the way in which strategic change initiatives are implemented and the effect of these initiatives on the company's business model, thus adding to the limited business model innovation literature from a process perspective. Linkages are made between component-based analysis of business models and the process perspective. The underlying aim of the research is to determine whether a company's business model can be innovated using a structured innovation process with a customer process perspective.

From the literature review several theoretical frameworks are distilled. In order to examine business model and customer journey components, the business model canvas is applied (Osterwalder & Pigneur, 2010). The results of the innovation process are evaluated using the frameworks of Osterwalder & Pigneur (2010), Casadesus-Masanell & Ricart (2010), and Zott & Amit (2010). The innovation process itself is evaluated using the frameworks of Bucherer et al. (2012), Sosna et al. (2010) and Burgelman (1983).

Based on interviews and secondary company sources, we find that business model and customer journey components are used in a similar way but differ in scope and level of detail, with the customer journey addressing a smaller scope and higher level of detail. A distinction can therefore be made in terms of level: the business model at a corporate level and the business model for a particular customer journey.

Using the customer journey approach particularly led to novel ways of employing channels

in order to market the value proposition. By focusing on the customer process, customer experience was improved, leading to better customer relationships and a higher customer lifecycle value.

Using the frameworks of Osterwalder & Pigneur (2010), Casadesus-Masanell & Ricart (2010), and Zott & Amit (2010), it was found that business model innovation did take place using the customer journey approach. Most business model canvas components were addressed directly, several were addressed implicitly and some were integrated with the existing business model. Strategic choices created a self-reinforcing business model. Using the customer journey approach also created new sources of value in the company's activity system.

Corporate strategy was found to influence the way innovation takes place by setting guidelines, targets and goals. The customer journey method was chosen within the second strategic level, i.e. business unit or functional department level. The business model innovation process that took place was characterised using the framework of Bucherer et al. (2012). It was found to be both internally and externally driven, cross-functional, owned at the middle strategic level and the innovation results incremental. Comparing to Sosna et al. (2010), similar elements of second and third order learning were found. A more complex comparison, to the framework of Burgelman (1983) showed similarities in process linkages and process structure.

Several other findings were made from the research. Although business model innovation was not a goal of the customer journey, innovating business model components was. The implementation phase of customer journey was made difficult by a lack of strategic focus on innovation, although organisational barriers did favour entrepreneurial behaviour within the development team. Using life events as a basis for customer segmentation is novel, but can create challenges when employing traditional media.

Using the customer journey approach improved key resources such as brand perception and awareness. The customer journey approach was favoured because of the strategy of improving customer focus and limiting investment in innovation. Full-scale business model innovation is restricted by carrying out innovation at an operational level within the confines of

strategic targets and guidelines. At the customer process level, the customer journey approach can create new business models containing sources of value creation.

Implementation could be facilitated by making innovation a higher priority within the strategy. Although this would potentially make implementation easier, it would also reduce the filtering effect of the need for entrepreneurial skills within the development team.

Intentionality is not a necessary condition for business model innovation, new business models can emerge as the result of using the customer journey approach. Those business models that are complete, create sources of value and are self-reinforcing with respect to strategic choices will emerge as being successful. Using a novel approach such as customer journey development does however lead to new challenges—such as the need for new forms of marketing.

Finally, when the customer journey approach is a key process within the business model, business model innovation becomes an integral part of the business model.

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Chapter 1

Introduction

Consumer bargaining power has increased dramatically with the rise of the Internet in the mid 1990s (Kucuk & Krishnamurthy, 2007). New entrants, unhindered by outdated organisational structures, have changed markets with new business models, often rendering existing products and services obsolete. Under such turbulent conditions, businesses have seen themselves faced with the need to develop new business models and new ways of engaging with customers (Teece, 2010).

The increasing pace of business model developments has had its impact on academic research: increased attention for business models in the area of strategy and for service design and customer experience in the area of marketing. These areas of research share many concepts, for example the concepts of value propositions, channels and customer relationships.

The question arises what relationship exists between business model innovation and customer journeys, and whether the customer journey approach can be used as a method of business model innovation. From a theoretical perspective, this would add to a process perspective of business model innovation. From a practitioner standpoint, this relationship could provide a structured method for business model innovation.

The following sections will discuss the concepts of business models, business model innovation and customer journeys in more detail.

1.1 Business Models

The business model of a company describes the way in which value is created, distributed and captured (Teece, 2010). Examples of business model innovation are the transformation of Ryanair from a traditional to a low-cost business model (Casadesus-Manuel & Ricart, 2011), and the Lego company, which has developed a mass-customisation business model that enables customers to design and order their own sets (Osterwalder & Pigneur, 2010). Despite a large research effort over the last two decades, a single agreed upon understanding of a business model has proven problematic (Zott, Amit, & Massa, 2011).

Much of the early research into business models focused on describing, categorising and explaining existing e-business models (e.g. Timmers (1998); Pigneur (2000); Amit & Zott (2001)). Other early research leans towards commercialisation of technology in a research and development setting by determining a suitable business model (e.g. Chesbrough & Rosenbloom (2002); Pisano & Teece (2007)). These works are often descriptive and based on case studies, in particular *after* the business model innovation has taken place.

An important distinction that can be made at this point is between business models as a static representation of a business, and business model *innovation* as the actual process of innovating the business model. This distinction is rarely made explicitly in business model literature, but making it clarifies different perspectives on business model innovation. The distinction is also important to the results of this case study.

An influential contribution to describing business models in terms of components comes from Osterwalder & Pigneur (2010) in the form of the *business model canvas*. The business model canvas consists of nine components that can describe an existing business model or design a new business model. Linkages and relationships between components can also be included by “drawing” them on the canvas, as can transitions from the before and after business models. The business model canvas stems from efforts to describe business as an architecture, in which components and successful patterns can be re-used (Osterwalder, 2004).

In more recent years, several authors have addressed the lack of theory from a dynamic and organisational perspective, claiming that a descriptive or static model is not sufficient for describing the change processes required for business model innovation (Chesbrough, 2010; Sosna, Trevinyo-Rodríguez, & Velamuri, 2010; Euchner & Ganguly, 2014). The process of business model innovation is often illustrated by successful examples, which have already survived selection in the competitive environment for some time. By illustrating the end result, the process of change required to achieve this result is often neglected.

Casadesus-Masanell & Ricart (2010) propose that a business model consists of a set of managerial choices and their consequences. Again taking Ryanair as an example, the low-cost business model was a result of managerial choices. The business model became successful because the set of choices was coherent and self-reinforcing. For example the decision to offer low fares leads to high volumes, high volumes lead to higher aircraft utilisation and therefore lower fixed operating costs, which in turn leads to even lower fares.

1.2 Customer Journeys

In marketing practice, the customer journey approach has become popular as a way of innovating products and services, using a customer process and a customer perspective. The main aim of using the customer journey approach is to increase customer loyalty—and therefore the customer lifecycle value—by creating relevant offerings for different phases of the customer's process (Hoogveld, 2014).

Using a process of analysis, customer research, idea generation (with customers), implementation and testing, the customer journey approach develops a value proposition which is brought to market. Part of the development process is the modification or creation of new processes and touch-points, both having a strong effect in determining customer experience (Rawson, Duncan, & Jones, 2013). In other words, the customer journey approach is a structured method for innovating services, that can impact different aspects of a company's business

model based on customer feedback and ideas.

Many companies attempt to provide a positive experience to customers. Despite their efforts at improving customer interactions, known as touch-points, customers had a negative reaction to the overall experience of dealing with the company. Although each individual interaction was considered satisfactory, the cumulative effect of experiences across multiple touch-points reduced satisfaction (Rawson, Duncan, & Jones, 2013). These observations led to the awareness that it was not individual interactions that needed to be improved, but the entire customer's process, of which the interactions with the company are only a part. This customer process is referred to as a *customer journey*. For example, when a customer moves to a new house, utilities companies need to be informed, perhaps a new meter needs to be installed or wiring replaced. The customer will have to find information, make decisions and potentially deal person-to-person with different company representatives and contractors. From the customer's point of view, all these activities are related to the same process. Customer journeys are those processes that matter to customers. The customer journeys that matter to the company are those where the customer process and the company's service processes overlap, and where customers indicate a level of dissatisfaction (Rawson et al., 2013).

The theoretical underpinnings of the customer journey concept can be traced back to the field of marketing. In the late 1970s it was recognised that companies had to move beyond marketing products and move towards marketing services, giving weight to both tangible and intangible elements by design (Shostack, 1982). Building on the intangible aspects of service design came such ideas as customer experience (Berry, Carbone, & Haeckel, 2002), customer relationship (Reinartz et al., 2004) and—particularly with the rise of the Internet and e-commerce—multichannel management (Payne & Frow, 2004). As the way a customer experiences a service is subjective in nature, customer experience literature has also borrowed from the fields of psychology and neurology, most notably from Kahneman et al. (e.g. Kahneman, Fredrickson, Schreiber, & Redelmeier, 1993). These influences, from psychology to information technology, make the customer journey approach inherently multidisciplinary.

Customers and customer feedback play an important part in the customer journey approach, in the analysis and ideation phases (Hoogveld, 2014). This makes the approach highly suited to testing a company's offerings on a small scale before market launch, and differs greatly from traditional marketing and research and development funnels.

1.3 Research Question

Much of the research into business models has come from the areas of strategy, management and information systems. The customer journey approach has its roots in marketing, but borrows from various other areas of research. The goal of this paper is to examine whether elements of these theories, developed from different perspectives, can be brought together to complement each other in explaining a business model innovation process. From a practitioner point of view, the insight that business model innovation using the customer journey approach is possible is highly relevant. In order to gain a better understanding of the way the customer journey approach and business model innovation are related, the central research question has been formulated as:

What is the relationship between innovation using the customer journey method and business model innovation?

Examples of possible relationships are that a new business model arises from customer journey development, or that the impact of innovations made with the approach are small and incremental, or that there is no influence whatsoever.

In the following chapter (Chapter 2), extant literature on service innovation, customer processes and business model innovation will be examined in order to determine the state of current knowledge. Chapter 3 describes the empirical methodology followed for the research for this paper. The results of the case study are described in Chapter 4, followed by a discussion and conclusions in Chapter 5.

This aim of this thesis is to contribute to the discussion of business model innovation from a process perspective, to determine whether the customer journey approach is a method of innovating business models and to relate elements from theories on business model innovation and the customer journey approach.

Chapter 2

Literature Review

As put forward in the previous chapter, a relationship is expected between service innovation at a customer process level and business model innovation. This chapter reviews existing business model and customer journey literature, in order to determine the current state of progress in research and theory development and to develop a theoretical framework required to answer the research question.

2.1 Introduction to Concepts

2.1.1 Business Models

The concept of the *business model* has become a popular way of characterising a company in an overall way, allowing for comparison of entire companies and even industries (Baden-Fuller & Morgan, 2010). Teece (2010) defines the business model as the way in which a firm creates, distributes and captures value. Others refer to a business model as comprising of managerial choices and consequences (Casadesus-Manuel & Ricart, 2011). Business models are used for different purposes: a) to classify businesses, b) as a basis for scientific research and c) as examples that can be copied or improved (Baden-Fuller & Morgan, 2010).

Research into business models as a distinct unit of analysis has surged with the emergence

of e-commerce in the mid 1990's (Zott, Amit, & Massa, 2011). Early work, such as that of Bloch, Pigneur, & Segev (1996) or Timmers (1998), is driven by the need to understand and develop potential earning models for e-commerce businesses. This early literature is on the whole restricted to e-commerce business models and focuses on the classification of emergent business models, their components and the configuration of business models in such a way that a value chain (in the sense of Porter (1980)) can be created. Dubosson-Torbay, Osterwalder, & Pigneur (2002) propose a model consisting of four components for the classification and comparison of e-business models: a) product innovation, b) customer relationships, c) infrastructure management and d) financial aspects. These components are broken down into subcomponents as shown in Table 2.1. Besides attempting an exhaustive list of business components, the authors acknowledge that actual business models can be categorised in different ways, depending on the point of view. They propose a network of categorisations, where the categorisation depends on a list of seventy measures, such as customer clicks on the web site or customer satisfaction.

Component	Subcomponent
Product innovation	Target customer Value proposition Capabilities
Customer relationship	Get a feel Serving Branding
Infrastructure management	Resources/assets Activities/process Partner network
Financial aspects	Revenue Cost Profit

Table 2.1: Early classification scheme for the classification of e-business models. Reprinted from Dubosson-Torbay et al. (2002).

Extending this component and configuration approach from e-business models to business models in general, Osterwalder & Pigneur (2010) have developed a *business model canvas*, consisting of nine components that characterise an organisation's business model. The canvas

is used to analyse existing business models and design and implement new business models.

The underlying premise is that innovative business models are a necessity for positioning a company in an “intensely competitive landscape” (Osterwalder & Pigneur, 2010). The business model canvas is shown in Figure 2.1.

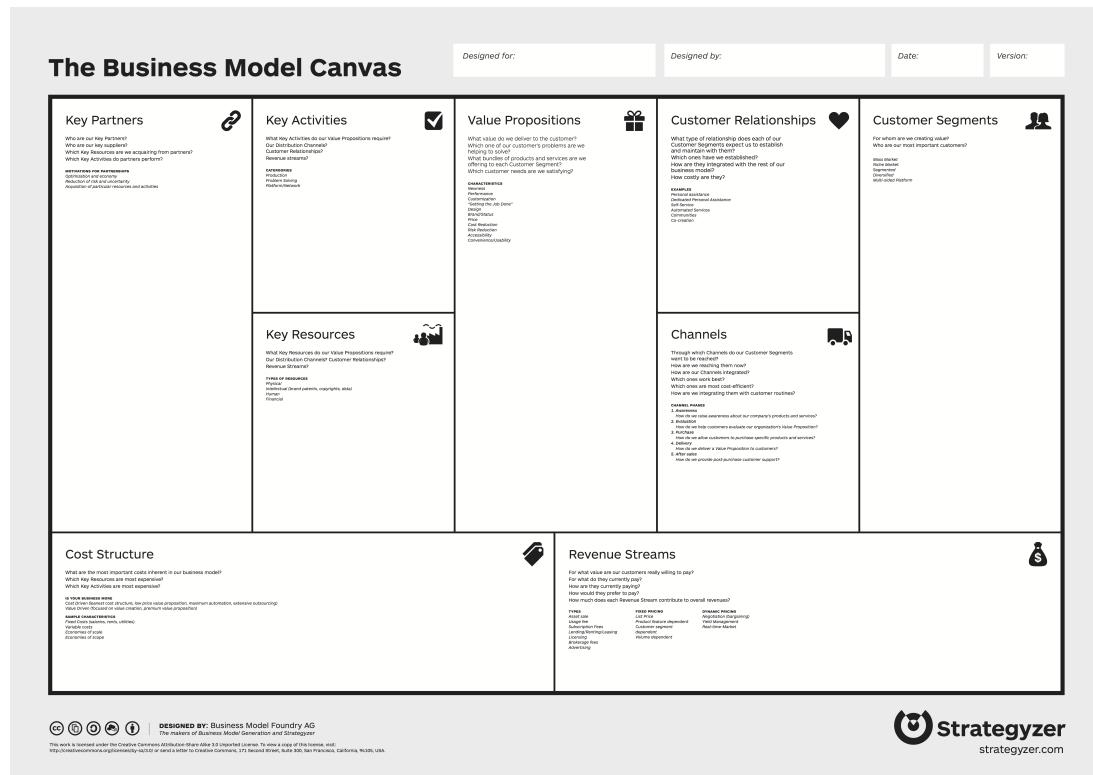


Figure 2.1: “The Business Model Canvas”, by Business Model Foundry AG - used under the Creative Commons Attribution - Share Alike 3.0 Unported License (<http://creativecommons.org/licenses/by-sa/3.0/>)

The business model canvas is a useful tool for capturing the logic of the business model, i.e. the configuration of and relationships between components of the business. Although a popular tool, the canvas has also been criticised for being incomplete, excluding decision making processes and dynamic aspects such as interactions with competitors' business models (Euchner & Ganguly, 2014; Casadesus-Manuel & Ricart, 2011). The canvas also excludes other aspects of business that have been linked to innovation, such as management approaches,

organisational structure and culture (Govindarajan & Trimble, 2005).

Some of the early literature on business model innovation looks into the need to create new business models to capture value from technological innovation (Chesbrough & Rosenbloom, 2002). The Xerox business model of leasing photo copiers and charging customers by the number of copies made is a well-known case in point. This indicates that a business model can be designed around a product, or to fulfil a particular customer need.

An assumption implicitly underlying a large number of studies is that there is *one* business model for a given firm, or that business models operate side-by-side, more or less independently. This assumption is reflected in research questions such as “can a business compete with two business models”, or “how to run multiple business models simultaneously” (Markides & Charitou, 2004; Casadesus-Masanell & Tarzijan, 2012). These studies do indicate however that the business models are complementary and interrelated.

An aspect that is not addressed in the literature, is whether business models can be broken down into component business models, creating a hierarchy of business models at different levels or a network of business models.

2.1.2 Customer Journeys

The concept of the *customer journey* has become popular with marketing practitioners as a starting point for service innovation, aimed at achieving higher levels of customer engagement and customer loyalty, and therefore—profitability (Hallowell, 1996). The two main characteristics of this approach are a) adopting a customer perspective, including insights from actual customers, and b) taking a process perspective, i.e. taking into account events and activities in the course of time.

The customer journey is not a unit of analysis in scientific terms, but combines scientific insights from various disciplines, reflecting the fact that services are highly interdisciplinary (Hallowell, 1996). As the customer journey approach to service design is an aggregate of various disciplines, it is useful—as with the business model canvas—to discuss the building

blocks, or components, of the approach.

As early as 1977, Shostack (1977) identified the strong interconnectedness between products and services, the importance of “intangible evidence” in customers’ perception of a service and the need to understand the chain of events that underlie the relationship between company and consumer. In subsequent work, the author proposed a process modelling technique, “service blueprinting”, that describes “complex market entities” in terms of product and service elements and the relationships between them (Shostack, 1982). The service blueprint, in effect, describes the way a service is implemented within the organisation.

A customer journey can be defined as any process the customer goes through, that is relevant to the customer both rationally and emotionally, and that leads to one or more interactions with the company. When innovating services, the customer journey is used to analyse and re-design rational and emotional interaction between customer and company. The way in which customers perceive these interactions is referred to as the *customer experience*.

The concept of customer experience was identified in the mid 1990s as a source of competitive value (Pine, Gilmore et al., 1998). The experiential economy, one that sells experiences instead of products, is seen as the latest stage in the development of economies: from simple commodities to goods, from goods to services and from services to experiences. Companies that can create a rewarding experience for customers can demand higher prices for their products and services (Pine et al., 1998). In this experiential economy, marketing must move from praising features and benefits of products to creating rewarding experiences for customers. Where traditional marketing employs a rational, engineered approach, experiential marketing uses a qualitative approach explicitly taking into account sensory, emotional, cognitive and social interaction (Schmitt, 1999). Creating an engaging customer experience is the main aim of the customer journey approach (Hoogveld, 2014).

Bitner, Ostrom, & Morgan (2008) build on Shostack’s work on service blueprinting and customer experience and combine it into a framework for the innovation of services. The resulting framework consists of five layers: 1) physical evidence, 2) customer actions, 3) visi-

ble contact employee actions, 4) invisible contact employee actions and 5) support processes.

Mapping the process through these layers allows the company to identify discrepancies between the current service offering and the company's goals for the service. Bitner et al. concludes the description of the blueprinting framework by pointing out the challenges for implementation and suggests the appointment of a "blueprinting expert".

Another important input for the customer journey approach is the field of *customer relationship management*, or CRM. As the name suggests, CRM aims to manage the relationship between customers and company in such a way that it leads to profitability. It does so by collecting and analysing as much information about customers as possible, and using this information to create customer-centric processes, matching the company's offerings with customer needs and expectations (Chen & Popovich, 2003). CRM leads to an increase in customer loyalty, word-of-mouth advertising and ultimately improves the competitive position of the company. Retention, as opposed to acquisition, is now seen as the main factor in increasing market share (Rust & Zahorik, 1993).

In marketing, consumer behaviour is studied in order to influence consumers' buying decisions using marketing instruments (Kotler et al., 2008). The buyer decision process (Figure 2.2), can be viewed as a customer process approach that has a narrower focus than the customer journey approach: it considers different phases in the buying process but is aimed *only* at buying, without considering the context of the process or *interactions* between consumers and company.

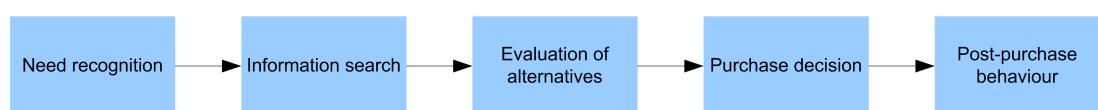


Figure 2.2: The customer decision process. Reprinted from Kotler et al. (2008).

The customer journey approach takes a wider view of the customer process. It typically starts with a *life event*, for example the birth of a child, starting at university or changing jobs. Such events create different types of needs that the consumer will wish to address. Other im-

portant topics that are covered with the customer journey approach are the value proposition, the customer segment, the customer journey map and channels (Hoogveld, 2014). Combining the various aspects leads to the component model depicted in Figure 2.3. On the left are the components that are under the company's direct influence: the value proposition, channels, customer segment and the service blueprint. The service blueprint captures the internal processes and resources required to implement the value proposition, touch-points and customer experience. On the right are the components which take place in the customer's personal life: the life event which leads to the customer process, the phase model of the customer process, and the customer experience resulting from interactions with the company. The company has no control over the life event, and can only try to influence the phase model and the customer experience. Interactions with the company are called *touch-points*, and are enacted through channels, such as a web site, a shop or an adviser (Chen & Popovich, 2003).

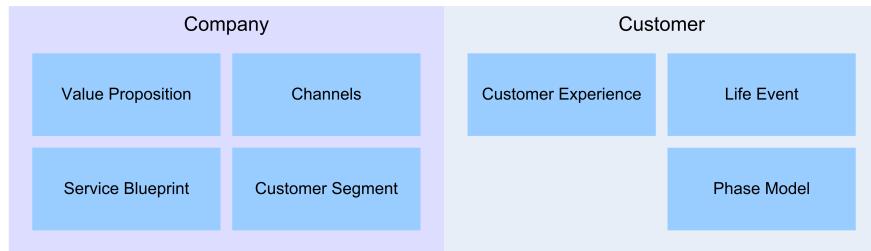


Figure 2.3: Components of a customer journey.

2.2 Relationships Between Components

In order to compare and design business models, Osterwalder & Pigneur (2010) have developed the business model canvas, made up of nine business model components (Figure 2.1). In order to compare business model innovation and innovation at a customer process level, a similar component-based approach can be applied to the customer journey method. Figure 2.3 gives a breakdown of a customer journey in components. By comparing the two, we can see several components that are common and several that are different. This leads to the first

research question:

Question 1. *What relationships exist between components of the customer journey and components of the corporate business model?*

Not only are we interested in relationships between similar components, but also possible relationships between components of different varieties and between components of the business model canvas itself. The following sections discuss a component based approach for both customer journeys and business models.

2.2.1 Value Propositions

A value proposition describes the combination of services and products that create value for a specific customer segment (Osterwalder & Pigneur, 2010). Johnson, Christensen, & Kagermann (2008) define a customer value proposition as a way to “get an important job done” for the customer, i.e. a way to solve a fundamental problem. A value proposition encapsulates products and services and a conceptual framework of the value added or problem solved for the customer. The conceptual part of the value proposition is useful in marketing activities, as it helps customers differentiate the products and services on offer from those of competitors’ (Kotler et al., 2008). Constructing a value proposition is achieved by identifying the target customer, understanding the target customer’s needs (i.e. the job that needs to be done) and designing an offering that meets those needs. The value proposition is the most important element around which a business model is constructed (Johnson et al., 2008). In the customer journey approach, the value proposition is developed by determining consumer needs by gaining information from consumers directly.

2.2.2 Customer Segments

Segmentation is a marketing method aimed at identifying the characteristics of the customer most willing to purchase the product or service on offering. Targeting a customer segment

based on these characteristics determines the positioning of the product or service within the marketplace (Kotler et al., 2008). There are many characteristics on which segmentation can be based, for example age, level of education, income, geographic location or social status. A company can focus on one or more customer segments, and the focus can be narrow or wide. The customer segment concept thus ties in with Porter's strategic positioning framework and his four generic strategies (Porter, 1980). It is a “product first” approach, where a product or service is developed to which the target market is matched. Increasingly, employing a multichannel marketing approach and simultaneously using technology to gather customer data, market segmentation can take place based on customer facts and insights (Rangaswamy & Van Bruggen, 2005).

The customer segment is an important component of the business model canvas, in that it is strongly tied to the value proposition (see Section 2.2.1). In the customer journey approach, customer segmentation is closely linked to the choice of life event, as different customer segments may not always experience the same life events.

2.2.3 Channels

Within a business model, channels are the interface between a company and its customers (Osterwalder & Pigneur, 2010). They deliver information and the company's products and services to the end user. Traditional channels, such as shops, sales people and intermediaries are fast being replaced by—or integrated with—online channels such as web sites, apps, social media and games (Hoogveld, 2014). Customers are increasingly using multiple channels in different phases of orientation, purchase and usage (Rangaswamy & Van Bruggen, 2005). A multichannel marketing approach offers opportunities for creating a seamless retail experience, creating stronger customer relationships and ultimately improving retention. The main focus of the customer journey approach regarding channels, is how to create an engaging customer experience by innovating touch-points and optimising the channel mix for the value proposition (Hoogveld, 2014). Touch-points are the only elements of the customer process

that a company can change or influence (Meyer et al., 2007).

2.2.4 Service Blueprint

The service blueprint describes the way in which processes and resources are used to deliver the company's value propositions through channels. This in effect leads to a certain type of customer experience and customer relationship (Shostack, 1977). This is very similar to the key resources and key activities components of the business model canvas, and could arguably cover key partners as well.

2.2.5 Customer Experience

The customer relationship component of the business model canvas describes the types of relationships a company establishes with different customer segments (Osterwalder & Pigneur, 2010). These relationships are enacted through channels, with the specific instance of that channel that the customer actually uses being referred to as a touch-point. Although not the same as customer experience, the types of customer relationships in the company's business model are an important factor in determining the customer experience.

The relationship between customer experience management (CEM) and customer relationship management (CRM) is explored by Meyer, Schwager et al. (2007). Where CRM focuses on customer information, gathered through sales data and market research, CEM focuses on the perception that the customer has of the company. Methods such as interviews, surveys and direct observation ("voice of customer" research) are used to determine what this perception is. Meyer et al., as opposed to Verhoef et al. apply a narrower perspective to customer experience, i.e. those experiences which arise from interacting with the company (through touch-points). The distinction between CEM and CRM does however become clear, in the sense that CEM focuses on qualitative aspects as well as quantitative aspects, where CRM focuses more on the latter.

2.2.6 Life Events and Phase Model

Life events and a customer process phase model are not part of the business model canvas. These components are however essential to the customer journey approach. Their absence from the business model canvas is expected, as they describe a process from an external perspective: that of the customer. The business model canvas describes the configuration of the company.

To map a customer journey, a phase model is created using different analytical, creative and information gathering techniques (Hoogveld, 2014). An initial choice of life event is made, and an initial attempt is made to map the subsequent customer process by employees of the company. One of the main components of the customer journey map is an experience curve, depicting the emotional state of the customer during different phases of the process (Figure 2.4; Mangiaracina et al. (2009)). The initial model is validated and elaborated with actual customers, with particular attention to emotionally charged steps of the process. These are used to determine how the company can improve its touch-points by a) taking away customers' frustrations, b) adding memorable experiences to the process and c) being available to the customer with a suitable value proposition at the correct time. It can also help in creating new touch-points, with the aim of giving a more integrated and positive overall experience. A positive ending experience, or *peak-end* experience, is often engineered, based on the theory that having a final positive experience has the more influence on a person's overall perception of a process, even when parts of the process have been difficult or frustrating (Kahneman et al., 1993).

2.2.7 Cost Structure and Revenue Streams

Cost structure and revenue streams are part of the business model canvas, but not (explicitly) of the customer journey approach. Instead of designing these aspects explicitly, costs, profitability and returns are managed by setting key process indicators (KPIs) for the customer

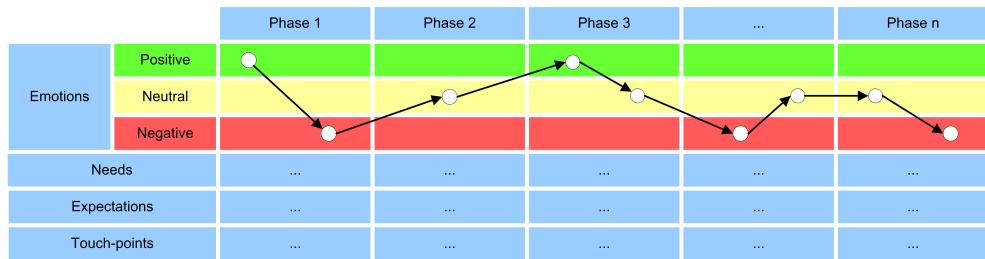


Figure 2.4: An example of a customer journey map, depicting the experience or emotion curve, activities, needs, expectations and touch-points in each phase of the customer process. The format is not fixed, other relevant aspects can be included with the experience curve. Based on Mangiaracina et al. (2009).

journey (Hoogveld, 2014).

2.3 Qualifying Business Model Innovation

When can we call something “business model innovation”? For example, the development of a new app might be commercially interesting, but does that mean the company has adopted a new business model? Despite the large number of papers published on business model innovation, there is no agreed way of “measuring” the innovation of a business model. Business models are often defined in different terms: as a related group of components (Osterwalder & Pigneur, 2010), as a system of activities (Zott & Amit, 2010), or in terms of managerial choices and consequences, taking into account interactions with competitors’ business models (Casadesus-Manuel & Ricart, 2011). Intuitively, the innovative nature of new business models is often best understood by comparing them to industry standard or competitors’ business models, for example the case of Uber and traditional taxi companies (Cannon & Summers, 2014). Another common approach is to carry out a before-and-after comparison (Casadesus-Manuel & Ricart, 2011). For the purposes of this research, a finer-grained framework is required that will allow us to answer the following question without the benefit of a longitudinal study:

Question 2. *How can customer journey development contribute to business model innovation?*

Business model literature provides us with different perspectives and definitions of busi-

ness models. Some of these have already been used in previous sections. In order to develop a framework for the qualification of business model innovation, the remainder of this section will look at three relatively different contributions (Table 2.2).

Authors	Definition of business model	Characteristics of a business model
Casadesus-Masanell & Ricart (2010)	The logic of the firm, the way it operates and how it creates value for its stakeholders.	A business model consists of the concrete choices made by management and the consequences of these choices. Virtuous cycles in the patterns of choices and consequences lead to successful business models.
Osterwalder & Pigneur (2010)	A business model describes the rationale of how an organization creates, delivers, and captures value.	Nine business model components.
Zott & Amit (2010)	A system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm, in concert with its partners, to create value and also to appropriate a share of that value.	Novelty, lock-in, complementarity and efficiency as sources of value creation. Content, structure and governance as architecture of the activity system.

Table 2.2: Different perspectives on business models.

Casadesus-Masanell & Ricart (2010) include cause and effect into their model by defining a business model as consisting of managerial choices and their consequences. These form networks and chains. For example, choosing a low-cost strategy leads to lower prices for customers, to higher volumes and economies of scale, which in turn lead to even lower prices. When such a virtuous cycles exists the business model is said to be self-reinforcing, generating valuable resources such as supplier bargaining power. In other words, the virtuous cycles are the value creators within the business model. This leads to a second criterion for the identification of business model innovation:

Criterion 1. *An innovation is a business model innovation when it generates new virtuous cycles.*

The work of Osterwalder & Pigneur (2010) has already been described and used exten-

sively in previous sections to develop the theoretical framework for the comparison of customer journey and corporate business models. As a measure of completeness, the first criterion for qualifying an innovation as a business model is that all components of the business model canvas are represented when plotting the innovation on it.

Criterion 2. *An innovation is a business model innovation when it affects all nine components of the business model canvas.*

Zott & Amit (2010) have developed a theoretical framework that views business models as an activity system, containing sources of value creation. Starting from activities is a “natural” way to develop a business model, as entrepreneurs and managers think in terms of activities. The activity system transcends the focal firm and spans its boundaries, i.e. partners are explicitly included in the design. The business model is further determined by two sets of parameters: the design elements content, governance and structure and the design themes novelty, lock-in, complementarity and efficiency.

Novelty comes from developing new activities and/or linking and/or governing them in new ways (Zott & Amit, 2010). Apple for example, added content distribution to its activities, linked it to hardware development and made legal downloading of content possible by developing a governance structure. Lock-in can manifest itself as switching costs or as “staying gains”, for example ease of repeat transactions and access to a large network in the case of eBay. Complementarities exist when bundled activities provide more value than each activity separately, such as using savings to fund mortgages in the case of banks. Efficiencies are aimed at lowering transaction costs, either by integrating or by outsourcing activities.

As novelty, lock-in, complementarities and efficiencies are sources of value in a business model, their creation can be taken as a sign of business model innovation. This leads to the third criterion for identifying business model innovation:

Criterion 3. *An innovation is a business model innovation when it creates novelty, lock-in, complementarity and efficiency.*

As can be seen above, we have one criterion for completeness, one that tests the cause and effect or logic of the business model, as well as value creation and one that tests for four sources of value creation. These tests should together determine whether an innovation is a business model innovation.

2.4 Business Model Innovation Process

Business model innovation can come from various sources and develop in different ways. The spectrum of ways in which an innovation process can be anchored in the organisation is extremely broad. The triggers for the innovation process can be external or internal (Bucherer, Eisert, & Gassmann, 2012). Although much has been published on the topic of business model innovation, very few articles are devoted to the process of business model innovation itself. Instead they focus on typologies and components of business models, often using well-known examples that have already proven themselves in the market space.

From literature, we can identify several trajectories for the development of a business model for new entrants and for incumbents, adapting, creating or copying a business model (Table 2.3).

The corporate business model is a realisation of the corporate strategy (Casadesus-Masanell & Ricart, 2010). Business model innovation can therefore be seen as the process of realisation of a new, innovative strategy. Casadesus-Masanell & Ricart describe the business model as (managerial) choices and the consequences of those choices. For example, the choice of Ryanair to standardise its fleet meant more bargaining power with its suppliers, standardised training for pilots and crew and less varying demands on maintenance crews and tooling.

Sosna et al. (2010) have studied a process of business model innovation through trial-and-error learning in an incumbent wholesaler of dietary products and place it in a framework of an adaptive learning model. They propose that business model innovation occurs in response to a crisis when second and third order learning are present. The second order learning comes from

Firm type	Business model trajectory	Authors	Topic
New entrants	Create a new business model	Osterwalder & Pigneur (2010)	Designing new business models
	Replicate an existing business model	Teece (2010)	Copycat competitors; defending against
Incumbents	Innovate the existing business model	Casadesus-Manuel & Ricart (2011); Sosna et al. (2010)	Strategic choices, trial-and-error learning
	Create a new business model alongside the existing one	Johnson et al. (2008); Markides & Charitou (2004)	Balance of integration and separation of (conflicting) business models
	Create a separate venture	Doz & Kosonen (2010)	Corporate venturing as a way of developing strategic agility
	Acquire a separate venture	Doz & Kosonen (2010)	Acquiring to transform oneself; importing a business model from acquired company

Table 2.3: Several trajectories for the development of business models, from business model innovation literature.

experimenting and evaluating, the third order learning comes from improving the learning process itself during subsequent cycles of second order learning. The third order learning leads to both a business model and an innovation process that requires low amounts of investment and is replicable.

Bucherer et al. (2012) have developed an analytical framework to study the business model innovation process in a systematic way, and have applied this framework to twelve case studies (Figure 2.5). The sources of innovation can be internal or external, or a combination of



Figure 2.5: Framework of analysis for the evaluation of a business model innovation process. Reproduced from Bucherer et al. (2012).

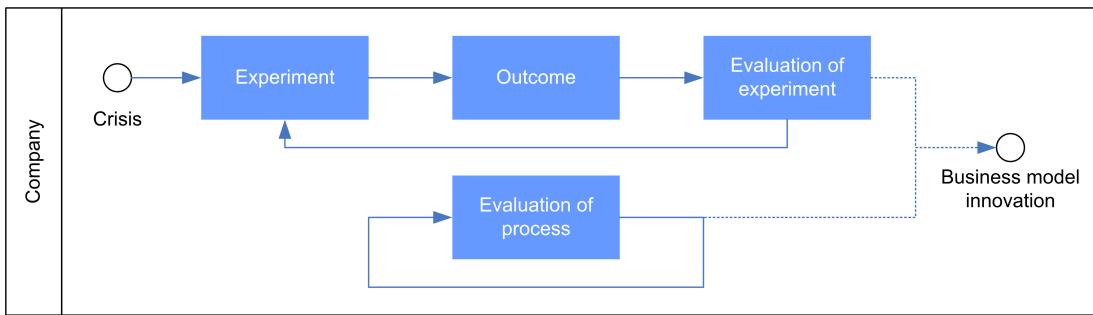


Figure 2.6: Process of business model innovation through second and third order learning. Based on Sosna et al. (2010).

both. The innovation process can be modelled around linear process models, although innovation processes have been found to be chaotic and non-linear. Regarding implementation, a distinction is made between a complete replacement of the business model and business models implemented parallel to the existing business model. In the latter case, risk is reduced by creating a new organisational unit for the development of the new business model. The authors do not however consider the case of an innovation process acting on the existing business model directly.

Organisational anchoring is expressed in terms of barriers, such as existing (power) structures. The findings of Bucherer et al. indicate that no single department of the organisation is fully responsible, and that ownership of business model innovation typically resides with the CEO and top management team. Finally, the authors discuss the topic of the degree of innovativeness of the business model, varying between radical and incremental.

Burgelman (1983) provides insights into the process of internal corporate venturing (ICV) in a large, diversified company. The research is based on a case study carried out in a large, diversified, high-tech company in the U.S. Although the concept of business model innovation is not used, developing new ventures to commercialise innovations from research and development can be seen as such (Doz & Kosonen, 2010). The new ventures are either formed into new divisions of the company or are absorbed into existing divisions.

The process of internal corporate venturing is influenced by continuous activities at three

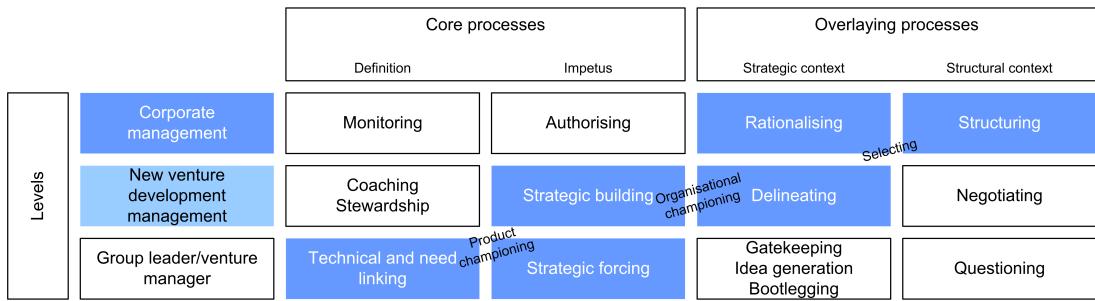


Figure 2.7: Key (shaded) and peripheral (unshaded) activities in a process model of ICV. Reprinted from Burgelman (1983).

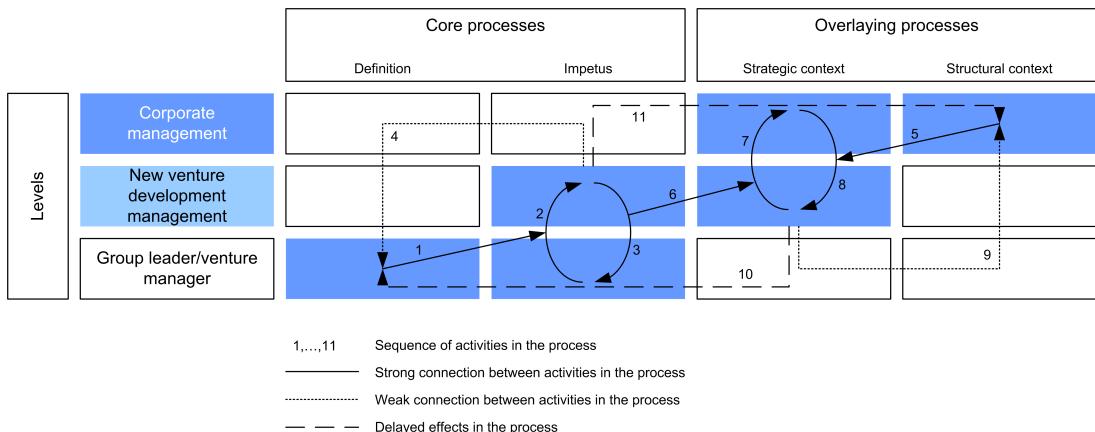


Figure 2.8: Sequence and linkages between activities in a process model of ICV. Reprinted from Burgelman (1983).

strategic levels in the company (Figure 2.7). The activities are divided into the core innovation processes concerned with corporate venturing, and the overlaying processes concerned with strategic and structural context. Table 2.4 gives an overview of the different activities that were identified by Burgelman as being central to the ICV process. The actual process of ICV itself consists of creating linkages between the activities in a certain way and in a certain order (Figure 2.8).

The process of internal corporate venturing is primarily a “bottom-up process” in a diversified major firm (Burgelman, 1983). This makes it appear to be similar to the process of developing customer journeys in a large, diversified financial services provider. Similarities and differences will be discussed in Chapter 4, in order to answer the final research question:

Activity	Description
Technical and need linking	Combining internal or external knowledge to create solutions for known but unsolved technical problems.
Product championing	Providing positive information that reassures middle management and serves as a basis for claiming resources and planning priority.
Strategic forcing	Attaining sufficient sales volume within a limited time horizon, in order to maintain support from top management.
Strategic building	Conceptualising new strategy for a broader field in which the new venture will fit. Integration with other projects and/or acquisition of small firms.
Organisational championing	A crucial link between operational and mid-level activities and the rationalising activity that integrates the new venture with existing strategy.
Delineating	Defining the outline of the business field for the new venture.
Rationalising	Extending the existing strategy to accommodate new business activities resulting from ICV.
Structuring	Putting in place of organisational and administrative mechanisms that act as a selection mechanism on strategic behaviour of middle- and operational managers.
Selecting	The interpretation of the structural context by participants of ICV of “survival criteria” for new ventures. For example: fast growth and large size.

Table 2.4: Descriptions of ICV activities. Based on Burgelman.

Question 3. *What is the process of business model innovation that takes place by developing a customer journey?*

Chapter 3

Research Methodology

This chapter sets out the methodological choices that have been made with respect to carrying out the research for this thesis.

3.1 Qualitative Research

The main research question asks what relationships exist between innovations at a customer process level and at corporate business model level. These relationships are not available from existing literature, nor is there an agreed-upon theoretical framework available for business models or customer journeys. In the absence of strong, testable theories, a qualitative, inductive approach has been chosen (Yin, 2014; Bryman & Bell, 2015). Much of the existing business model innovation literature addresses *what* and *how* questions. In order to develop theory *why* must also be addressed (Whetten, 1989; Sutton & Staw, 1995). This leads to the choice of a case study method for gathering data. A case study method is suited to studying complex, time dependent phenomena *in situ*, where topics and context can be hard to distinguish (Yin, 2014). Where multi-case studies allow for comparison of different settings, a single case study has been chosen to reach a higher level of detail in order to identify concepts and relationships.

Much of the existing literature on business model innovation is in the discovery and description phases of the research and theory building process (Stuart et al., 2002). This study is positioned in the mapping and relationship building stage. In order to develop new theory, an approach is followed using the framework developed by Eisenhardt (1989).

3.2 Case Selection

The case study was carried out at Inscomp Netherlands, a financial services company with its origins tracing back more than a hundred years. A financial services company was chosen, as an example of an incumbent firm that could benefit from business model innovation. The competitive environment in which these companies have developed their business models has long been stable, leading to an emphasis on operational efficiency at the expense of flexibility (Volberda, 2004). The relatively stable environment in which financial services companies performed only a few decades ago has disappeared with the rise of the Internet and e-commerce. A lack of innovation capability puts them at risk of being rendered obsolete by new entrants with new business models. Studying an innovation process that could potentially innovate a company's business model is relevant to many large, traditional companies that are confronted with a need to innovate their business model.

The research focuses on innovation of a company's business model, therefore the unit of analysis is at the company level. The scope of the case is determined by the chosen innovation process. The customer journey approach requires a high level of stakeholder involvement at different levels within the organisation, these stakeholders will be used as the population for sample selection.

3.3 Case Description

Inscomp is an international financial services company offering insurance, mortgages, asset management and banking products and services. The company as a whole will be referred to

as “Inscomp Group”. The case study has been carried out in the Dutch subsidiary, which will be referred to as “Inscomp NL”. The company’s headquarters are situated in the Netherlands. The company operates in “over twenty five” countries, including a large subsidiary in North America (Inscomp, 2015b). Inscomp employs approximately 28,000 employees worldwide and achieved earnings before tax of 1.9 billion euros in 2014 (Inscomp, 2015c).

Figure 3.1 shows the way in which Inscomp is structured. The Dutch operation consists of lines of business¹: a) Bank, b) Pensions, c) General Insurance and Disability and d) Mortgages. The lines of business reflect the administrative requirements for different portfolios of related products. Inscomp NL is also full or major shareholder in a number of subsidiaries that benefit or complement its main operations, such as an intermediary service and innovative new ventures.



Figure 3.1: Structure of Inscomp.

Under European law, banking and insurance activities have to be fully separated. There are few separations between the insurance lines of business however, and in fact Inscomp has embarked on a strategy of increased customer focus, making the distinction at product level less relevant or even unwanted (Inscomp, 2015a).

3.3.1 Business Model

As with the corporate legal structure, the Inscomp business model can be viewed at different levels. Figure 3.2 shows the main characteristics of the Inscomp NL business model. It is

¹The lines of business are also legal entities fully owned by Inscomp NL.

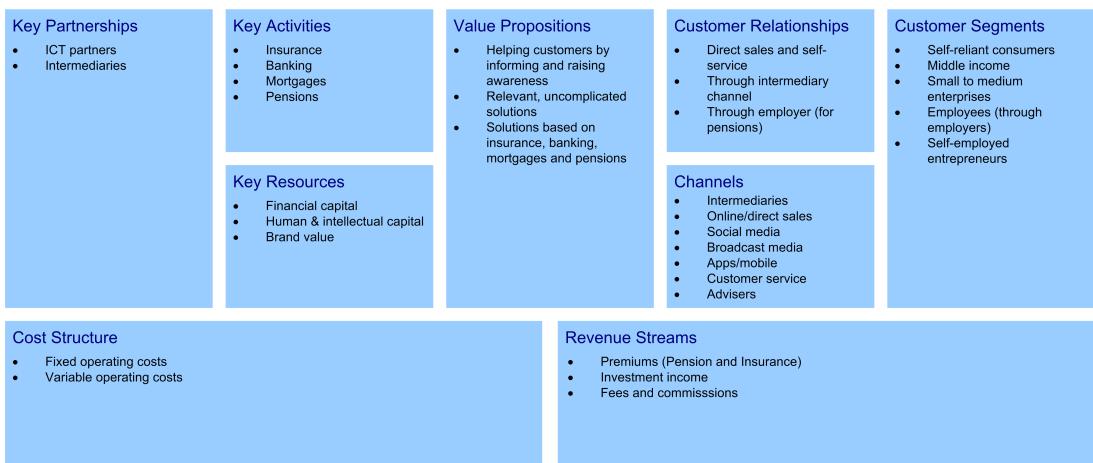


Figure 3.2: A depiction of the Inscomp Netherlands business model, based on company and publicly available information (Inscomp, 2015a, 2016a).

important to note that at this (corporate) level, it is an amalgamation of the business models that exist for the lines of business. For example, because banking activities are fully separated from insurance activities, the business model is distinct. The other lines of business show degrees of overlap in their business models. An analysis of the business model for the different lines of business is given in Table 3.1. By comparing we can see that there are differences between lines of business that follow from the requirements of the products on offer, but also from the (marketing) strategy. The lack of value propositions for the lines of business reflects the incomplete strategic transition Inscomp is making from a product to a customer oriented company.

As a result of the customer oriented strategy, value propositions are no longer centred around products, but around *domains* that “matter most for the financial future of customers” (Inscomp, 2015a), i.e. income and housing. The structure of the web site no longer reflects the lines of business, but instead customer segments and channels: consumer, wholesale and intermediary as the main navigation options (Inscomp, 2016a).

Business model component	Bank	Pensions	GI and Disability	Mortgages
Key Partnerships	Financial advisers	Pension advisers	Intermediaries, healthcare services	Mortgage advisers
Key Activities	Product administration, customer service	Product administration, customer service	Product administration, customer service	Product administration, customer service
Key Resources	Financial assets	Pension reserves	Claims reserves	Capital
Value propositions	-	-	-	-
Customer relationships	Self service, financial advisers	Self service, through employers; limited direct contact with end consumers	Self service, customer service	Self service, mortgage advisers
Channels	Online, telephone	Account managers, online	Online, telephone, intermediary	Online, intermediary
Customer segments	Consumers, entrepreneurs	Small, medium and large companies	Small and medium companies, consumers	Consumers
Cost structure	Operating costs	Operating and investment costs	Operating costs, claims	Operating costs, cost of capital
Revenue streams	Profits from reinvestment of savings held, fees	Fees	Premiums	Fees and leverage on interest rates

Table 3.1: A breakdown of the Inscomp NL business model for each line of business, based on company and publicly available information (Inscomp, 2016a).

3.3.2 Customer Journey

The *relocation* customer journey, or moving house customer journey, was initiated in early 2015 as part of the housing domain (see previous section). The need for developing this customer journey was identified based on analysis of customer data by the marketing and customer intelligence departments. Figures showed that moving house was an important reason for customers to cancel their home insurance(s) with Inscomp. It was felt that not only could more be done to retain these customers, but that a push should be made to increase the num-

ber of products sold to these customers, increasing the product density per customer. Based on limited but positive earlier experiences with customer journeys, it was decided to assign a team and resources to the development of the relocation customer journey.

This particular customer journey project was selected for several reasons: a) it had been recently completed so that the research would have a clear scope, b) it showed visible results for customers and c) the project's artifacts showed that concepts from scientific literature were used, allowing for comparison of theory and practice. Figure 3.3 shows one of the visible artifacts coming from the relocation customer journey project. The value proposition played an important role in the customer journey development process, in fact it was put by some developing a value proposition was the goal of the customer journey.



Figure 3.3: One of the relocation customer journey artefacts, showing the customer process, emotion map, channels and value proposition.

3.4 Sample Selection

The population of potential interview candidates consisted of all people inside or outside the company that were in some way involved in carrying out the customer journey development process. Because the exact population was not known at the start of the research, interview candidates were selected by snowball sampling, i.e. starting with one person and continuing by subsequent referrals (Bryman & Bell, 2015). Sampling continued until it was felt that the amount of new information provided by interviews had become small, indicating that theoretical saturation had occurred (Mills, Durepos, & Wiebe, 2009). In order to avoid a functional bias in the results, care was taken to include different types of stakeholders, with different perspectives of the topic under study. Table 3.2 gives an overview of the respondents interviewed for this thesis.

No	Interview date	Job title	Role in the CJ process	Years work experience	Years with company
1	May 19, 2015	Vice president customer experience	Not directly involved	> 20	5 - 10
2	Sep 15, 2015	Customer experience manager	Not directly involved	10 - 15	1 - 5
3	Nov 11, 2015	Acquisition marketing manager mortgages	Co-ordination and project management	> 20	5 - 10
4	Jan 6, 2016	Service design consultant	Service design consultant	1 - 5	N/a
5	Jan 13, 2016	Content manager	Content manager and adviser for the online channel	1 - 5	1 - 5
6	Jan 20, 2016	Manager customer focus	Reviewer and methodology adviser	15 - 20	5 - 10
7	Jan 20, 2016	Strategy analyst	Reviewer and strategy adviser	1 - 5	1 - 5
8	Jan 20, 2016	Acquisition marketing manager general insurance	Co-ordination and project management	10 - 15	1 - 5

Table 3.2: An overview of respondent characteristics.

3.5 Data Collection

Qualitative data was obtained by carrying out and analysing a number of semi-structured interviews (see Table 3.2). In order to add a degree of focus to the research, guide questions were developed based on the literature review discussed in Chapter 2, in accordance with Stuart et al. (2002). Table 3.3 gives examples of the guide questions used. Because different interviewees had different roles, not all questions were asked in the same way, but aided in checking the “completeness” of the interview. The interviews were recorded and fully transcribed. Where possible, supporting data was gathered, such as company documents and publicly available online data.

Respondent 1 was interviewed during early stages of research, in order to gain a general understanding of customer journeys, their application within Inscomp and possible further interview candidates. This interview was not transcribed or used in the results, but a written publication on the topic of customer journeys and their application was obtained (Experience, 2014). A pilot interview was held with respondent 2, but not included in the results. Respondent 2 was responsible for a different customer journey to the one used for the case study. The other respondents were all directly involved with the relocation customer journey, including one external consultant (respondent 4). The interviews on average took around an hour, the shortest being fifty minutes and the longest seventy five minutes.

3.6 Data Analysis

The aim of quantitative data analysis is to discover patterns and relationships (Yin, 2014). The first step in the analysis process was to categorise statements using different labels.

In order to do this, a relational database was created with each sentence from the interview transcriptions as an entry. This facilitated linking multiple labels per statement and allowed for complex querying of the results.

Category	Question
General	Can you tell me about your role within Inscomp? How long have you worked with Inscomp?
Value proposition	How did you become involved with the relocation customer journey? What was the role of the value proposition during customer journey development? How was the Inscomp value proposition used during customer journey development? How has the value proposition changed through customer journey development?
Customer relationships	Which aspects of customer relationships were important before the customer journey? Which aspects emerged as being important to the customer relationship?
Customer segments	Which customer segment was the customer journey targeted at? How is this segment related to the existing Inscomp customer segment?
Channels	Which channels does Inscomp traditionally use? How were these managed? Which channels were new or used in a different way after the customer journey? How was the Inscomp channel strategy used during development of the customer journey?

Table 3.3: Examples of guide questions used during interviews.

A basic set of labels was obtained from the literature review, for example “customer segment” or “channel” (see Chapter 2). New labels were assigned as seemed necessary, making the list of labels grow larger as more interview transcriptions were processed. Care was taken to reuse labels where possible. After labelling all transcriptions, differences in spelling were corrected and similar labels were grouped, reducing the overall number slightly. One of the results of this stage of the process was an increased familiarity and overview of the different interviews, allowing for reflection and identification of emergent themes.

The second step of the analysis process was linking information from respondents’ statements to the research questions and to other emergent themes. This was done using the categorisation from the previous step, as described above, to find relevant statements within the transcriptions. These are provided as supporting quotations for the analysis in the results chapter (see Chapter 4).

3.7 Validity

In order to increase validity, theories and hypotheses developed from the analysis of the case will be confronted with existing literature. Conflicting literature can be of particular interest, as identifying and explaining sources of contradiction will aid in determining the limits of the research, creating a single theoretical perspective and improving external validity. Supporting literature is used to determine underlying similarities, leading to higher internal validity, wider generalisability and a higher conceptual level (Eisenhardt, 1989).

3.8 Reliability

All data collected is confidential and cannot be published or distributed directly, but copies shall be held by the author and can be viewed upon request under appropriate safeguards of confidentiality. All relevant events, choices and interview dates and locations have been recorded as a record of the research process.

All but the first interview was recorded. The original recordings have been archived as part of the research project database. The interview transcriptions include all spoken words. Time stamps were noted at regular intervals, to aid in searching through the transcriptions. Certain parts of the interviews were not transcribed as they were off-topic. These sections are noted in the transcriptions, including duration and the reason for omission.

Chapter 4

Results

The aim of this study is to examine the relationship between using a customer journey approach and (changes in) the company's business model. An in-depth case study was performed by interviewing candidates that were involved in initiating, designing and implementing a customer journey for the life event "relocation", i.e. the process a consumer goes through leading up to and including moving and living in a new house. The following sections aim to answer the research questions outlined in Chapter 2:

1. What relationships exist between components of the customer journey and components of the corporate business model?
2. How can customer journey development contribute to business model innovation?
3. What is the process of business model innovation that takes place by developing a customer journey?

The final section of this chapter covers a number of themes that were not included in the research questions, but emerged from the interview data as relevant to the research topic.

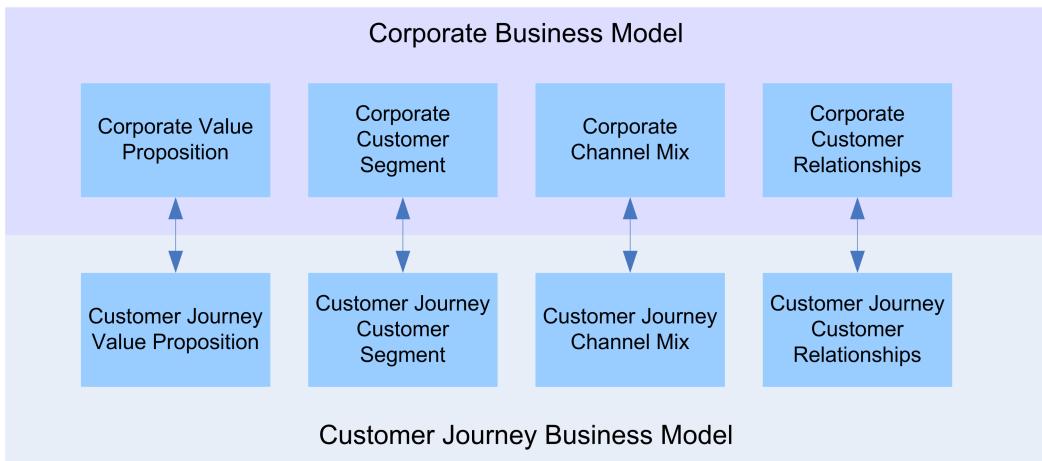


Figure 4.1: Business model constructs at corporate and at customer process level.

4.1 Relationships Between Components

In Section 2.2 of the literature review, a component-based comparison was made of the business model and customer journey concepts. A large overlap exists, in fact a customer journey can be expressed as a business model. The customer journey method also has some distinct features that are not expressed in the business model canvas, such as the phase model and customer experience (Figure 4.2). The definitions of shared components are on the whole the same for both the business model canvas and the customer journey method, but they are applied at different levels: company level and customer process level (Figure 4.1). The first research question asks what relationships exist between these components when applied in this way. The following sections present interview data and information from online sources in an effort to answer this question. The interview data relates mainly to the use of the customer journey method, online sources were added to make a comparison with the company business model possible. In order to provide focus to the research, interview questions were aimed primarily at the value proposition, customer segment, channel and customer relationship components.

4.1.1 Value Propositions

One of the main aims of the relocation customer journey was to develop a value proposition, also referred to as the *relocation proposition*. How does the value proposition that was developed during the process relate to the value proposition from the corporate business model? The two are compared by using the Johnson et al. characterisation of the value proposition in terms of value added, problem solved and products and services (Johnson et al., 2008; see also Section 2.2.1).

Inscomp Netherlands creates value for customers by offering insurance, pension, banking and mortgage products as part of comprehensible solutions, and by helping consumers making informed financial choices (Inscomp, 2016a). During customer journey development, customers were interviewed in order to determine problems and stressful moments during their move. Subsequently, ways of adding value and removing these “pains” were thought out, again with customer input. Finally, these two results were linked to the relevant financial products, forming the total proposition.

The corporate value proposition, as determined from the web site, and the proposition as a result of customer journey development are shown side by side in Table 4.1. From this comparison we see that the two are aligned, and that none of the customer journey value proposition elements conflict with the corporate value proposition. The elements of the customer journey value proposition are a refinement of the more abstract corporate value proposition.

Within the team responsible for carrying out the customer journey development process, developing a customer segment was seen as one of the main goals of the process:

Yes, that was our goal. The goal was designing a new value proposition. And the customer journey was a method to do it, a means, yes a means. (Service Design Consultant)

The term value proposition is not however a universal one, as Manager Customer Loyalty, head of the Customer Focus department and responsible for the customer journey methodology within Inscomp, indicated:

Component	Inscomp Netherlands	Customer Journey
Value Added	Financial awareness and self-reliance	<ul style="list-style-type: none"> • Offer insight and overview • Create structure and offer tools • Make customisation possible • Communicate in the customer's style • Be where the customer is and be proactive • Make the customer feel comfortable and at home • Keep it clear and simple • Use the customer's channels • Online (mobile) platform • Link to insurance products • Relocation helpdesk • Celebrate peak moments • Intermediary as relocation ambassador
Problem Solved	Complex topic made easier	
Products and Services	Insurance, banking, pensions, mortgages	

Table 4.1: A comparison of the Inscomp value proposition and the subsequently developed value proposition for the customer journey.

I've never heard of the whole value proposition. (Manager Customer Loyalty)

But on describing the concept, she went on to say:

It's in there, I believe we always take it into account, that's how we are. [...] We always keep an eye on our mission, vision... [...] We just don't use it explicitly (Manager Customer Loyalty)

4.1.2 Customer Segment

What is the relationship between the customer segment of the corporate business model and the customer segment targeted with the *relocation* customer journey? At the corporate level there is no strictly defined customer segment. A common rule of thumb for income in the company is “one to four times” the modal Dutch income. According to Strategy Analyst, external market research shows that the Inscomp brand appeals to people who score relatively high both on individuality and rationality. Consumers that relate more to a caring, helpful brand image are not targeted, although they are also not ruled out. Customer segmentation is not carried out in a very explicit way:

[...] I think it's more... than you might think, that in such a big company, that nobody really knows which... segments need to be targeted. At a high level, and also in the strategic positioning, we have a clear image of our target customer segment, but that is really very broad. (Strategy Analyst)

For the relocation proposition, the customer segment is determined not by demographics or other group characteristics, but by the life event: relocation. This life event is a trigger for a customer process; the target customer segment consists of *all* people who may go through this process. Acquisition Manager 1 indicated that 1.6 million people move to a new house every year, making this a large segment of the Dutch population. This innovative way of segmenting the market led to some problems when it came to advertising the proposition:

Yes, normally you choose a target media group. And yes, that's about age, or you can opt for income, and that gives you some certainty... [...] And because we didn't have a very clear demographic for relocation, and because of the Inscomp proposition we also didn't want to have one, we had to look at how we could do it. (Acquisition Manager 1)

The Inscomp brand appeals to a certain type of consumer (see above), filtering out some potential customers. By developing the relocation proposition, brand perception has also changed:

Well we measured what the target group, relocators, what their response was. And we didn't realise that there would be so many positive responses to the radio commercial. And even... from third parties that wanted to work with Inscomp, and that sort of thing... it really had some side-effects. (Acquisition Manager 1)

And:

[...] by just... reaching out on the radio, or at least above the line, that you are Inscomp and you sell insurance, and you understand people... right? So, just by letting people know you're there, that has the desired effect, that [brand] awareness goes up. (Acquisition Manager 1)

4.1.3 Channels

The Inscomp business model at a corporate level employs a set of channels, and these are managed through a channel strategy.

One of the starting points of the channel strategy, was that would make sure to avoid channel conflicts. (Strategy Analyst)

The channel strategy helped in avoiding a channel conflict between the direct sales and intermediary channels, and in fact innovated the relationship Inscomp has with its intermediaries for general insurance products:

Yes, so adviser involvement with Inscomp has gone up and ultimately that has led to a higher product density, so that's very positive. (Acquisition Manager 1)

A customer journey involves touch-points, and the relocation customer journey uses (a subset of) the same channels: a) a web site, b) a mobile app, c) the intermediary channel, d) a “relocation helpdesk”, e) text messages, f) social media, g) radio, h) television and i) search engine advertising (SEA). The online channels are referred to as a “relocation platform”.

If you are looking for an example of the innovations that it [the customer journey] has led to, well let's say building a whole platform, which we ultimately did, so the moving pages and the checklist, as a service to customers, that's something we wouldn't have done otherwise. (Acquisition Manager 1)

4.1.4 Customer Relationships

Customer relationships are enacted through channels, the actual interactions between company and consumer through these channels are referred to as touch-points (see Section 2.2.5). Examining and improving existing touch-points is an important part of the customer journey approach:

You have to remove the biggest hindrances. (Manager Customer Loyalty)

Besides improving the customer experience for existing touch-points, one of the aims of the customer journey approach is to add touch-points to relevant phases of the customer journey, for example phases where the customer's stress perception is high or to add a peak-end experience (see Section 2.2.6).

In peoples' perception, moving house is a complicated process, vague and uncertain all the time. That's why we thought: let's focus on offering clarity and structure and see if we can become relevant for customers. (Acquisition Manager 2)

The overall aim is to increase customer lifecycle value (CLV):

[...] The general idea of the marketing strategy is that we don't just want to sell products, but to be relevant for customers in the residential and income domains. The second thing is, that we are now managing the customer relationship, meaning that we want to do more with customers once they are in, so much more on CLV, so that the customer stays longer with more products. (Acquisition Manager 2)

The touch-points that are part of the customer journey don't all have to give a perfect experience, as long as the overall impression it leaves behind is good:

[...] I think I explained the peak-end rule, right? If we keep in mind that the ending is good, it's alright to get six out of ten over here. (Manager Customer Loyalty)

The peak-end experience is an important determinant of an overall positive customer experience, a positive customer experience in turn increasing customers' willingness to recommend the company's services to others:

You want to leave a positive experience behind, and that... they might radiate to friends, acquaintances and colleagues. (Manager Customer Loyalty)

The quotes above indicate intentions and the application of elements of theory. Testing their effect in practice is an ongoing part of the customer journey development process:

So we consulted with consumers quite a lot, and that to me is the added value of this approach, that you... And I've seen that with an Agile way of working that you ask for a lot of feedback in order to do the right things, because if you work on something for a long time and it gets shot down at the end, then you've just wasted your time. (Acquisition Manager 1)

Although customer feedback was positive during the development process, evaluating the direct effect on sales will take time, something that has been taken into account. At the time of the interview, the first customer had bought an insurance as a result of the customer journey efforts. The change-management aspect of the approach is also considered to be important however:

We're going somewhere and we set targets, but it's getting things moving that counts. If we have 23,000 customers, no-one will say it's not successful. If we have a thousand, then you might say it isn't successful. But it's about setting things in motion, and whether it's next year or the year after, the important question is whether we're moving in the right direction. (Acquisition Manager 2)

Initial evaluations showed that consumers related positively to the advertising campaign, increasing brand awareness and increasing openness to buying Inscomp products. Basing the campaign on emotional and non-rational aspects of the customer journey resulted in a radio and TV commercial that people enjoyed and could relate to:

Like I said earlier, it has been very good for the brand, something to build on now that the brand campaign is on TV. Because the construct, the way we told the story, from the radio ads, is now being used for the TV commercial for the Inscomp brand. And that has worked really well, because people were very enthusiastic and they wanted to buy with Inscomp... (Acquisition Manager 1)

4.1.5 Other Components and Relationships

The value proposition, channels and customer segments are components that are easily identifiable both on the business model canvas and the customer journey. Combining Figure 2.1 and Figure 2.3 gives an overview of the similarities and differences (Figure 4.2). The customer

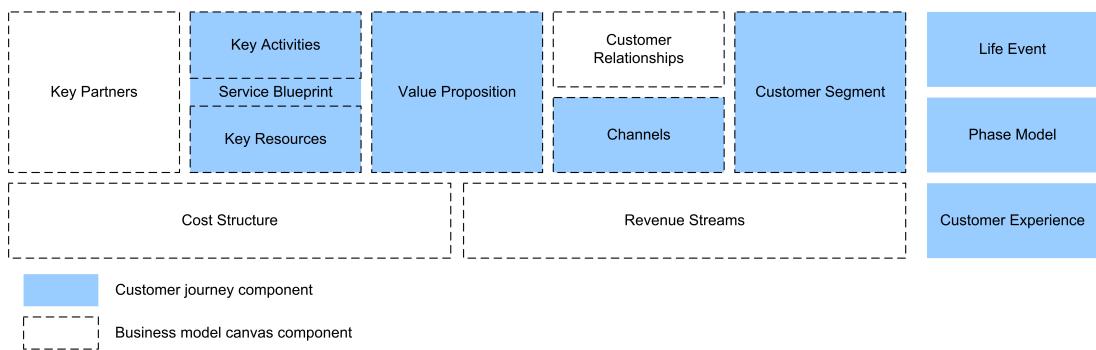


Figure 4.2: Combining the business model canvas and customer journey components giving an overview of similarities and differences.

journey approach pays specific attention to the customer process: life event, phase model and customer experience. These elements are not included in the business model canvas, although the customer experience is related to the customer relationship and channel components of the business model canvas. The customer journey approach's service blueprint consists of key resources (product elements) and their allocation in the service delivery process (service elements, see Section 2.1.2).

Key partners are not named explicitly in customer journey literature, but are considered important for delivering the value proposition. Different options were considered for the relocation customer journey:

That's what we're doing, we're talking to energy and utilities companies. But which one? That takes us into the partnership area so to speak, [...] so we end up with Eneco, but there's also Nuon that's doing all sorts of things and maybe bigger. (Acquisition Manager 2)

Partnerships are important for the overall customer experience:

So we explicitly looked at the way someone's emotion changes, what are the moments not to say anything and what are the moments that you can make the difference and offer a helping hand. And that's where we would like to partner up, which is something that is being looked in to. Because it makes you more credible and you can offer more value. We're not the only party tugging at them [consumers], so let's make sure we all tug in the same direction. So let's get KPN

involved and who knows who else... Gamma, you know, those types of companies, so that you take the customer's perspective, we're all coming to tug at you in the same direction and in a way which fits comfortably with your customer experience. (Service Design Consultant)

Cost structure and revenue streams on the other hand, were not at the top of the team's mind during the customer journey design process:

We're looking into partners, but the money side so to speak, that's something we haven't looked at at all. And it's also not really part of the whole customer journey approach. (Service Design Consultant)

4.1.6 Overview

On the whole, a top-down relationship between the company business model and the customer journey business model was found. Using the customer journey method was in itself an implementation of the customer-oriented strategy and was strongly guided by it. The customer journey added a level of detail to the value proposition, defined the customer segment more precisely and implemented the channel strategy. The customer journey method had a much higher focus on customer experience. Customer experience is related to the value proposition, channels (touch-points) and customer relationship components of the business model canvas. The customer experience that was developed, came from the strategic choice to build stronger customer relationships, but the actual implementation was strongly determined by consultancy.

Of the other components of the business model canvas, the customer journey method addresses key partners, key activities and key resources in particular. The resulting innovations did not follow directly from company strategy, as with the other components. The customer journey method offered a structured approach to developing these components of the business model.

The customer journey approach does not look into the cost structure and revenue streams directly. Changes were made however, namely product cost structure rationalisation, so that the intermediary channel could remain competitive with direct sales, and a higher investment in

the intermediary channel for marketing purposes. It appears that these changes are side-effects of the development work done on the value proposition, customer relationships and channels.

4.2 Customer Journey and Business Model Innovation

The second research question asks: how does applying the customer journey method contribute business model innovation? In order to answer this question, a set of three criteria was developed in Section 2.3:

1. An innovation is a business model innovation when it generates new virtuous cycles.
2. An innovation is a business model innovation when it affects all nine components of the business model canvas.
3. An innovation is a business model innovation when it has the characteristics of novelty, lock-in, complementarity and efficiency.

These criteria will be applied to the innovations that resulted from the customer journey development process.

4.2.1 Relocation Customer Journey Innovations

Innovation has been defined countless times and in different ways, but on the whole it refers to “doing something better in a new and different way”. So what is being done better in a different way? Before the customer journey was implemented, Inscomp customers would have to decide themselves what the best solution was for their insurance needs, as the customer relationship was one of offering solutions (or product “push”). After relocation was implemented, the company could start interacting with consumers at a much earlier stage of the customer’s process, i.e. the need recognition, information search and evaluation of alternatives phases (Figure 2.2).

Through the “relocation platform”, Inscomp helps the consumer in orienting, determining options, choosing solutions and offering easy access to those solutions. The end result should

be that more consumers, after going through this decision process, will choose Inscomp products, but based on informed decision and feelings of loyalty that come from the help that Inscomp has offered. This creates customer loyalty and product “pull”.

Consumer awareness of the relocation platform was created by using different types of advertising: radio (broadcast channel), posters (intermediary channel) and search engine advertising (online channel). An effort is also made to reach the top online search results by optimising content, or search engine optimisation. The radio commercial was innovative in the sense that it targeted consumers in the moving house process and was based on the value proposition, as opposed to more traditional advertising based on features and benefits of products. The radio commercial was appreciated, leading to a more positive brand perception and increased willingness to do business with Inscomp (see Section 4.1.2).

An innovative approach to the intermediary channel was employed, where there could have been a potential channel conflict. The relevant products for relocating were rationalised and set up in such a way that intermediaries would be able to achieve sufficient revenues without being out competed by direct online sales. Furthermore, instead of competition between the intermediary and online channels, intermediaries were involved in the marketing campaign. The top forty-four intermediaries received customised marketing materials including their own branding and the Inscomp branding, such as banners for on the pavement. This created a lot of enthusiasm, and also led to an increase in sales of Inscomp products through the intermediary channel:

[...] And of course, there will always be criticism, because the people without their own banner, the advisers that didn't have that... they think it's unfair... but on the other hand, we had clear arguments for doing it the way we did, and ultimately it worked out really well, especially for product density. Yes, so adviser involvement with Inscomp has gone up and ultimately that has led to a higher product density, so that's very positive. (Acquisition Manager 1)

In addition to the moving house platform, a mobile app was developed that helps consumers keep track of the process of moving. It is comprised of a checklist for the different

phases of the process, and it gives reminders of certain special events. The list can be customised by the user, adding or removing tasks and events where necessary. The app is an important manifestation of the value proposition elements: giving overview, structure and clarity (see Table 4.1).

A new development for customer service was the creation of a “relocation helpdesk”. Where the normal customer service department is staffed by insurance product specialists, the moving house hotline is dedicated to assisting the customer during the relocation process. This initiative was an experiment, as it was not known who would call and which questions they would ask:

[...] we said, if we understand relocation, we should run a phone number that people can call with questions. So we added a phone number [to the existing customer service number], so that people can call, and we don't know what people will call about. There aren't any standard instructions ready [...] So people don't know why they are calling and neither do we. (Acquisition Manager 2)

4.2.2 Virtuous Cycles

According to Casadesus-Masanell & Ricart (2010), a business model is “realised strategy”, and determined by management choices and their consequences (see Section 2.3). Table 4.2 gives an overview of (strategic) managerial choices and their consequences. These are shown graphically in Figure 4.3.

A virtuous cycle is a chain of cause and event that reinforces itself, for example low cost leading to higher sales, lower fixed cost and even lower cost. Obviously, if the customer journey approach is successful, i.e. it leads to higher sales, Inscomp will be inclined to use the same approach again, leading to higher relevance, NPS et cetera. As long as costs are controlled, higher sales volume will increase profitability, allowing Inscomp to reinvest in developing customer journeys and in the intermediary network, again leading to increased product density and sales.

No	Decision	Consequence
1	Transition to customer orientation	Choice of customer journey approach as a means of achieving targets → Company becomes visible to consumers earlier in customer process → Customer loyalty increases → Higher sales.
2	Transition to customer orientation	Choice of customer journey approach as a means of achieving targets → NPS increases for the customer journey → Higher sales.
3	Transition to customer orientation	Choice of customer journey approach as a means of achieving targets → Brand awareness and perception are improved → Higher sales.
4	Use customer journey approach	Customer experience more consistent → Customer lifecycle value increases → Higher sales.
5	Use customer journey approach	Attract new partners → Improved value proposition → More relevant in customer process.
6	Innovate in external ventures	Internal focus on process improvement and cost reduction, reducing innovation capacity → Only initiatives that resonate with organisation survive.
7	Innovate in external ventures	Reduced investment in innovation → Low-cost methods of innovation are favoured → Use customer journey approach.
8	Invest in intermediary channel	Intermediary channel is given equal attention compared to online channel → Intermediaries are used as part of the marketing campaign → Intermediary more willing to participate → Product density increases → Higher sales.
9	Invest in intermediary channel	The same products available through multiple channels → Likelihood of sale increases → Product density increases → Higher sales.
10	Multi-channel strategy	Products are the same for intermediary and direct channels → Intermediary can add value for customers → Value proposition is available through customers' channels → Sales through intermediaries have gone up.
11	Multi-channel strategy	Consistent customer experience → Higher customer lifecycle value → Higher sales.

The main self-reinforcing cycle starts with the customer-orientation strategy (Table 4.2, numbers 1 and 2). This leads to higher customer satisfaction and net promoter score (NPS), being more relevant in the customer process and improved brand perception. As more customer orientation leads to better results, second and third order learning become possible, improving customer orientation further.

Another self-reinforcing aspect of developing the customer journey was the decision to find new partners (Table 4.2, number 5). This leads to a stronger value proposition for customers and makes Inscomp more relevant in the customer process. For this to be a virtuous cycle, customer journey development needs to be a continuous process of improvement and innovation.

An interesting strategic decision is the one to house or source innovation externally (Table 4.2, numbers 6 and 7). Although this is detrimental to the innovation capacity of the organisation, lowering investment in innovation could favour low-cost experimentation methods such as the customer journey, but also lean start-up, bootlegging, effectuation and other small-scale innovation initiatives within the company, ultimately leading to innovations that are in tune with consumers' needs and wishes.

4.2.3 Completeness of the Customer Journey Business Model

As a starting point, the business models for the company and for the relocation customer journey have been mapped on the business model canvas. Figure 3.2 shows the main elements of the corporate business model. The corporate business model gives an overview of what Inscomp Netherlands does, including the value proposition, the customer segments, customer relationships and channels employed. At the company level, more detailed information about the business model cannot be distinguished.

The business model surrounding the relocation customer journey is shown in Figure 4.4. It offers a greater level of detail for most of the business model canvas elements than the corporate business model canvas. Several things are noticeable by comparing the two. The

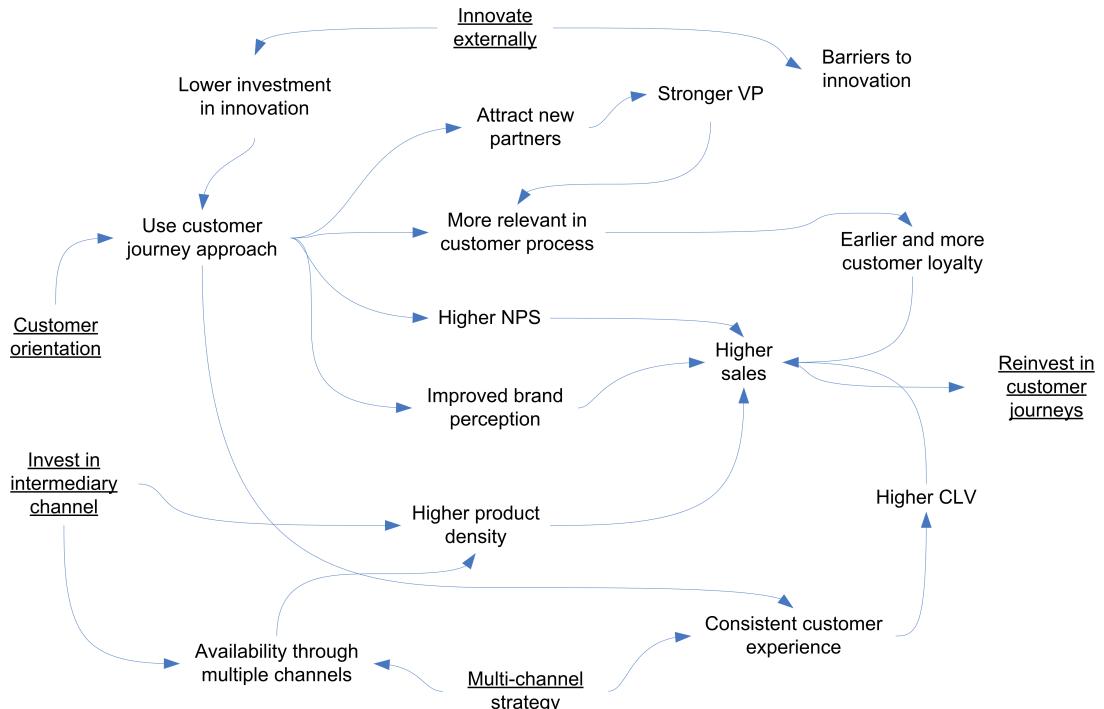


Figure 4.3: The business model of Inscomp, shown as a network of strategic decisions (underlined) and consequences. The business model is self-reinforcing if it leads to *virtuous cycles*. Based on case data and the theoretical framework developed by Casadesus-Masanell & Ricart (2010).

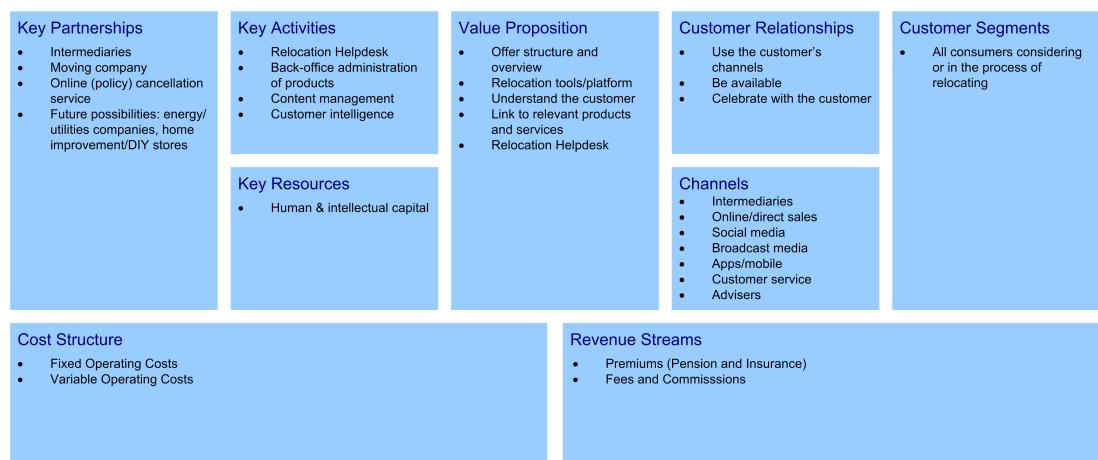


Figure 4.4: Business model canvas for the relocation customer journey (based on Inscomp (2016b) and interview data).

cost structure and revenue streams components are very similar, reflecting that these elements are not explicitly addressed by the customer journey approach, as Service Design Consultant indicated when discussing the business model canvas:

You're working on customer experience, and of course the moment of payment is also... [included] [...] In that case you're designing here [revenue streams], and that is where that is, but that's a different way of thinking, and I'm not sure if that means you are focused on improving the customer journey... (Service Design Consultant)

Another noticeable feature of the relocation business model is that the channel component is the same as in the corporate business model. This indicates that no new channels were used, but also that the range of channels for the customer journey is quite wide. This is in line with the value proposition, which includes “use the customer’s channels” as one of its elements, and of a multichannel approach (Hoogveld, 2014). The actual touch-points, where consumers or customers make use of one of the channels, were innovated however (see Section 4.1.3). On the business model canvas the actual channels are the same, but the way they are used (touch-points) must be described to make innovation visible.

The most noticeable difference between the two models, is the number of key partners involved in the relocation business model. Linking this to the value proposition, which includes a “relocation platform”, we can see a shift from a single company business model to a network business model that offers multiple products and services as a single platform.

By improving customer experience, the relocation customer journey also adds to the corporate brand value, thus adding to the corporate business model’s key resources (see Figure 3.2). All components of the business model canvas can be specified for the relocation customer journey, and almost all have been affected by the customer journey in some way.

4.2.4 Sources of Value Creation

Around the turn of the century, Amit & Zott (2001) researched the way value is created by e-business models. The theoretical framework they developed and built on in subsequent years

focuses on the business model as an activity system and a set of “value drivers”: novelty, lock-in, complementarities and efficiencies ((Zott & Amit, 2010; Amit & Zott, 2012), see also Section 2.3). To assess the presence of these value drivers, we must first determine the activities carried out in the activity system after implementation of the relocation customer journey. These activities have been determined by the touch-points in the customer journey. The customer journey consists of the following phases: a) imagining, b) orientation, c) focused search, d) buying, e) personalising, f) moving and g) living. The moving phase was given priority, and the following touch-points were adapted or created: a) the relocation “area” within the Inscomp website, which links to relevant product pages, b) the relocation mobile app, c) the relocation helpdesk, d) a specialised campaign for intermediaries and e) a congratulatory text message after execution of the deed at the notary.

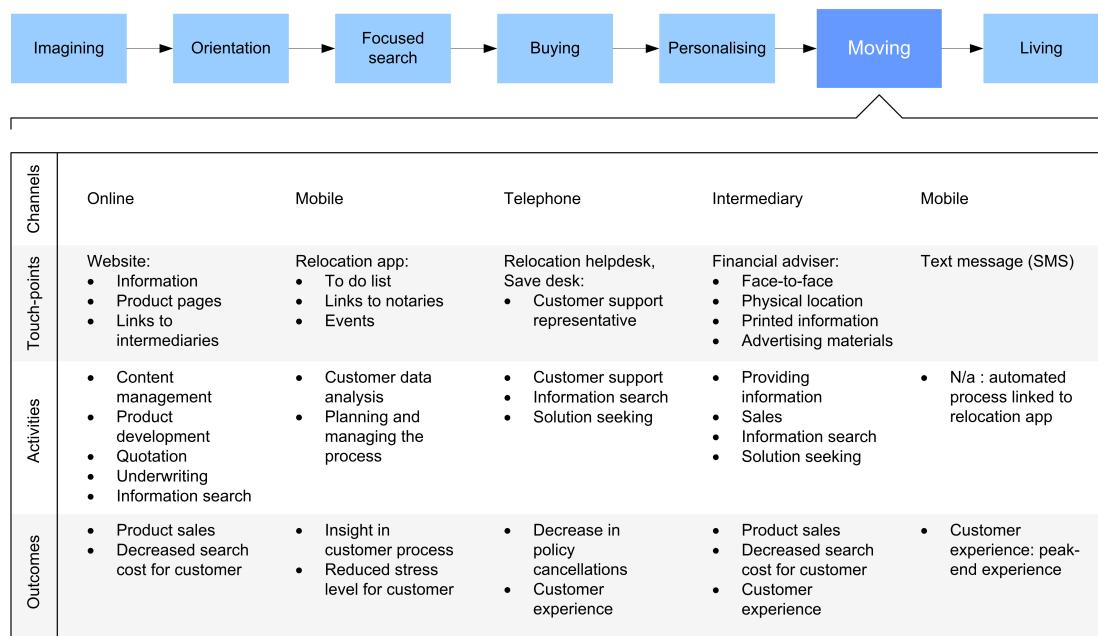


Figure 4.5: Customer journey phases, and channels, touch-points and activities developed for the moving phase. Activities are shown for different participants in the activity system.

Figure 4.5 gives an overview of activities developed to support the touch-points, adding to the existing insurance activity system. The activities are used in the following sections as a

starting point for discussing novelty, lock-in, complementarity and efficiency.

Novelty

The main novelty of the relocation customer journey doesn't lie in the activities that are required to support it, but rather in the content and topic matter of those activities. That this is a new way of doing things for Inscomp is reflected by its departure from "core business":

You see, the tricky thing is, you could say its not part of our core business. Moving house is part of our customers' lives, but it's not our speciality, we're not movers, we're not relocation advisers or consultants. (Content Manager)

Inscomp developed several solutions that were not related to insurance products directly: the relocation platform, including the website and the app, and the relocation helpdesk, which was open to any question regarding moving house. To support this activity, new knowledge had to be acquired.

And the third element was that we said, okay, if we understand relocation then maybe we should run a telephone number that people can call and ask questions. So we had a number there [customer contact centre], and people can call and we didn't know what they would call about. They don't have standard instructions ready. So people don't know what they're calling about and we don't know. (Acquisition Manager 2)

Relevant to novelty are changes in the governance of the activity system, i.e, how activities are assigned to different parties (Amit & Zott, 2012). The relocation helpdesk was both a new activity and a new allocation of this activity to the customer contact centre. Other changes in governance were the active involvement of intermediaries in the campaign (see Section 4.1.3) and co-operating with partners, such as "opzeggen.nl", a website that helps users cancel various subscriptions, memberships and contracts (Inscomp, 2016b).

Lock-in

Lock-in refers to the creation of switching costs or incentives to stay for business model participants (Amit & Zott, 2012). Nespresso is an example: once a customer has bought the coffee machine, he or she will need to keep buying Nespresso coffee capsules. Switching to a different method of making coffee would mean losing the investment. The focus of the customer journey was however not on introducing switching costs, but incentives to stay in the form of customer loyalty. This took the form of the value proposition, i.e. understanding the customer, allowing Inscomp to gain a position of trust, becoming a credible party that customers can turn to for help in financial matters:

Where can we make the difference? It turned out you have to earn someones trust before you're allowed to say something about his finances. So we made [the customer journey] broader than just the commercial aspect. (Service Design Consultant)

Incentives to stay and interact with the activity system were created by involving intermediaries directly in the marketing campaign. This led to a higher number of sales per customer (see Section 4.2.1).

For financial service providers, consumer legislation is actually aimed at *preventing* lock-in in the form of switching costs or by restricting access to information. Full disclosure must be given to customers about financial obligations following from use of the company's services, the relationship with the intermediary and other financial aspects before entering into a contract (AFM, 2016).

Complementarities

Complementarities refer to the value-enhancing effect of bundling activities in the business model activity system (Amit & Zott, 2012). One of the complementarities included in the customer journey was the linking of the relocation helpdesk to the separately created “save desk”:

So setting up a save desk, probably something familiar to you, I'm sure you've called with a company to cancel something and they said "maybe we can we offer you this if you stay". In that case you've spoken with someone hand-picked from the customer service team who's proven to be very good at changing your mind. [...] of all the calls they get, they convince fourteen percent of people to stay. It's wonderful to keep people on board. A logical addition to the moving house campaign. (Content Manager)

Other complementarities included using information gathered from the app to determine the execution date and send a congratulatory text message to the customer, and to bundle information and solutions as the “relocation platform”.

Efficiencies

Efficiency is achieved by lowering transaction costs through interconnections of the activity system, for example developing sophisticated logistics processes in order to support discount retailing (Amit & Zott, 2012). One of the main goals of the relocation customer journey was lowering the cost of information search and access to products for customers in the form of the relocation platform. This in turn would lead to lock-in, as the customer would appreciate the convenience of Inscomp's services. Other efficiencies were achieved by rationalising products and linking the relocation helpdesk and the save desk.

4.2.5 Overview

We have evaluated the contribution of the customer journey to business model innovation based on three theoretical frameworks of business models: choice and effect ((Casadesus-Masanell & Ricart, 2010)), a component-based approach ((Osterwalder & Pigneur, 2010)) and the activity system framework of Amit & Zott. The criteria for evaluation were developed in Chapter 2:

1. An innovation is a business model innovation when it generates new virtuous cycles.

2. An innovation is a business model innovation when it affects all nine components of the business model canvas.
3. An innovation is a business model innovation when it has the characteristics of novelty, lock-in, complementarity and efficiency.

Table 4.3 gives an overview of the results.

No	Criterion	Result	Key findings
1	Virtuous cycles	Yes	<p>Customer orientation strategy leads to higher sales and more customer orientation.</p> <p>Focus on low cost innovation leads to using more customer input, leading to more customer orientation.</p>
2	Completeness	Yes	<p>Financial components of the business model were not directly redesigned, but were included through existing and modified insurance products. Other components were addressed explicitly during the customer journey development process.</p>
3a	Novelty	Yes	<p>Novel content of the activity system and changes to governance structure.</p>
3b	Lock-in	Partial	<p>Lock-in by enticing customer to stay and perform transactions in the activity system.</p> <p>Switching costs and information barriers limited by financial services legislation.</p>
3c	Complementarity	Yes	<p>Complementarity of channels and touch-points.</p> <p>Relocation helpdesk and save desk linked together.</p>
3d	Efficiency	Yes	<p>Complementary offerings reduce search cost for consumer leading to lock-in.</p>

Table 4.3: Overview of the contribution of customer journey development to the Inscomp business model.

4.3 Business Model Innovation Process

Having established that the work done on the relocation customer journey has had innovative results, and that these can be seen as adding to the existing business model (see Section 4.2), we now set out to describe the process by which innovations at a customer process level are absorbed into the corporate business model.

4.3.1 The Influence of Corporate Strategy

At a corporate level, the business model is strongly determined by strategy and strategic change initiatives (see Section 2.4). How does strategy affect innovation at a customer process level, and how do these innovations in turn affect the corporate business model?

Discussing strategy and its application within Inscomp, it quickly became clear that by design, there is a top-down relationship between the corporate strategy and the implementation of the strategy. The corporate strategic framework has three levels, the higher being more abstract and with a longer term orientation, the lower being the most concrete, detailed and with a short term orientation on achieving goals and targets set at the higher levels. The linkages between levels are formed by a) prescribing the strategy and b) setting performance targets.

[...]the strategic framework we have at Inscomp has three levels. There's the corporate strategy level where we try to fill in the long term mission, the vision, we know where we are right now and we want such and such a portfolio, we want to sell so many products, to that market etc. etc., that whole thing. [...]That branches out into targets, goals... [...]So that's the second layer, it's sort of stuck on to the first. And then a third layer; that—at least the one I have in mind—is the actual application of certain... well, initiatives to actually attain those targets [...] (Strategy Analyst)

Because several different respondents referred to the corporate strategy as the guiding principles, and the way in which the customer journey value proposition extends the corporate

value proposition (see Section 4.1.1), it can be concluded that the top-down approach of the strategy framework generally works as designed.

The decision to change the corporate business model can be made at a strategic level. For example, as a result of changing legislation with respect to risk management and solvency, the cost and revenue model for mortgages is slowly shifting from using company financial reserves to using fee-based services offered by other financial institutions, thus removing risk from the balance sheet and lowering the requirements for financial capital reserves.

Something Inscomp is really growing towards, is using fee-based services, so that we can work with smaller capital reserves. For example outsourcing, to parties that can do it more efficiently and have more scale. [...] And also revenue flows, so how we make our money. If you look at the business model surrounding mortgages, it was always about selling as many mortgages as possible and earning money from the spread on interest rates... That's changing dramatically... [...] We're now using other peoples capital, using that capital to sell mortgages, passing the revenues back to that party and receiving a fee in return.
(Strategy Analyst)

Such a change to the business model, where the company is responding to a large-scale external factor, would not come from a change process at a customer process level.

Inscomp has, over the course of several years, been carrying out a strategy of transforming from a product-oriented company, selling insurance through intermediaries, to a customer-oriented company employing a multichannel strategy (Inscomp, 2015a). The top-level strategy is translated to department strategies, such as the marketing strategy. At this second level, the top-level strategy is made more specific, and elements of “how” are added.

[...]The general idea of the marketing strategy is that we don't just want to sell products, but to be relevant for customers in the residential and income domains.
(Acquisition Manager 2)

At this second strategic level, the choice to adopt the customer journey approach was made as a way of implementing the marketing strategy, because of its emphasis on the customer's

perspective. An external consultancy bureau, specialised in service design and innovation, was enlisted to aid the process:

[...] we provide services to companies, helping to innovate either their existing services or to help designing new service propositions. Inscomp hired us because they said they no longer wanted to push products, i.e. the product-based offerings, but to understand customers and their situation, see what happens at such moments, and see how we can be relevant. (Service Design Consultant)

Work done during customer journey development had an experimental and innovative character but had to stay within the boundaries set by corporate strategy. For example the distribution (or channel) strategy, which determines the way in which the online and intermediary sales channels are to be treated. These restrictions are not so tight however that they are perceived as impediments:

If you ask me, the good thing about the strategy is that this framework, given that these are the five things you need to watch out for, leaves enough room to actually get to work. (Acquisition Manager 2)

There is no direct upward link between initiatives at the lowest strategic level and the top level:

Not that we suddenly say: we're going to make money doing something totally different, or develop a new business model, because... we discovered at the lowest level that there is a large potential there... (Strategy Analyst)

And:

[...] how the whole business model changes, I'm not sure about that. It's more... the other way round, the way I see it now, it's more a means of achieving the goal, than a goal in itself to change to a new business model. (Strategy Analyst)

Besides the Inscomp Netherlands strategy, there is also a group strategy. In the group strategy, innovation within Inscomp NL is not a major objective. Instead the aim is to innovate by



Figure 4.6: Strategy development and strategic levels at Inscomp.

acquisition of innovative companies or by starting new (joint) ventures. This reduces risk to operations, successful innovations can be absorbed into other parts of the group, including Inscomp NL (Inscomp, 2015a). As a result, there is more focus on operation than on innovation and funding for innovation is limited:

Well, the CEO recently gave an interview, he was also presenting the annual report, and he said Inscomp will mostly be getting its innovation from outside. [...] So that's where the money is going. (Manager Customer Loyalty)

Comparing with possible business model innovation trajectories (Table 2.3), we see that Inscomp innovates the existing business model, acquires business models and creates new business model in separate ventures (Figure 4.7. Using the customer journey approach is an indirect, bottom-up method of innovating the business model.

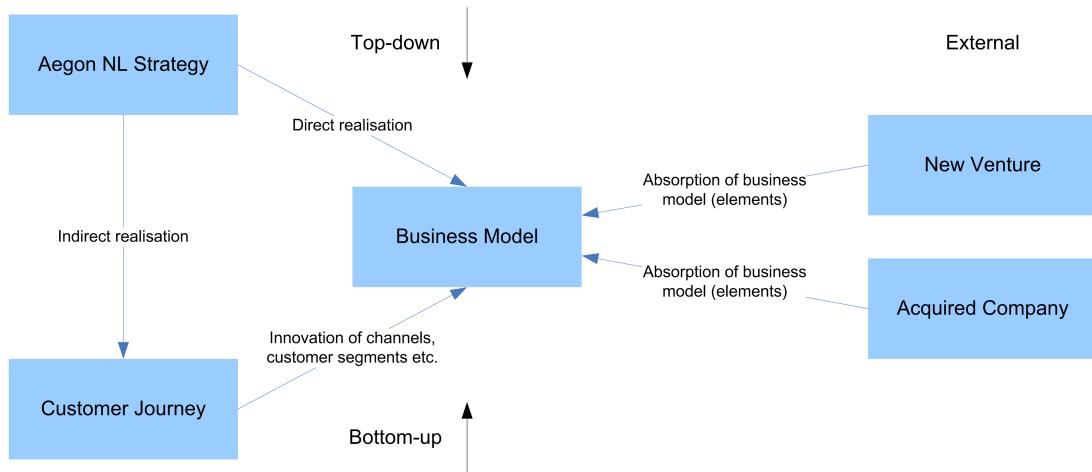


Figure 4.7: Business model innovation trajectories at Inscomp, showing direct innovation (top-down), indirect innovation through the customer journey approach (bottom-up) and external business model innovation through new ventures and acquisition.

4.3.2 Implementation

One of the results of the lack of strategic priority for innovation was that it was hard to have a dedicated team working on the relocation customer journey. On the topic of dedicated teams:

Ideal... in theory. People take their responsibility for their own work. They get to work in a dedicated way. If it weren't that people also had their daily activities. So they're not dedicated to the team at all. Because they also have to put together marketing reports, they have to do product development... (Strategy Analyst)

At the same time, a lack of top-level attention also created room to manoeuvre. Having asked whether more attention and priority would removed some of the obstacles for implementation:

No, no, in fact the opposite. You see what we have now, from my point of view we have [top-level backing]. That's what I mean by mission, vision, strategy, that if the strategy is clear, then it's just implementing a marketing programme. That's being more relevant to customers and we're doing that in a number of ways. We don't need top-level backing, because we're already doing what they want. The only question is, how much capacity can you get. (Acquisition Manager 2)

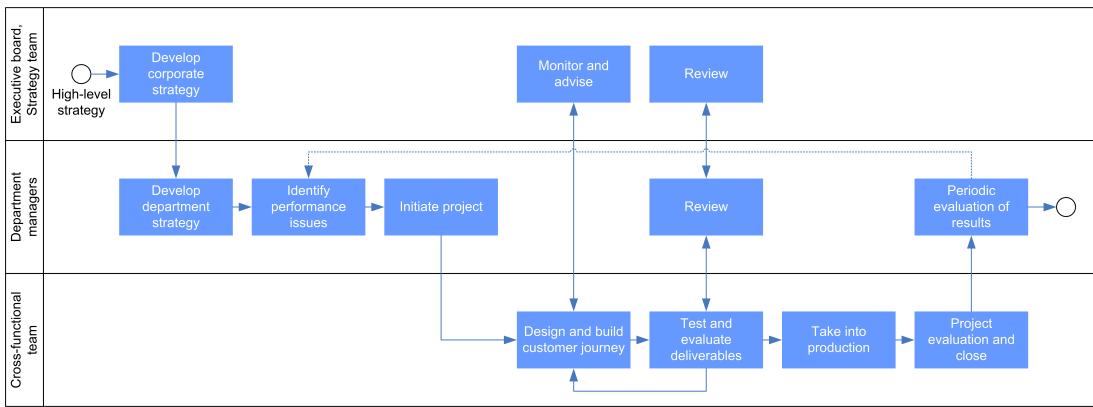


Figure 4.8: The process that was followed with the development of the relocation customer journey.

Getting past organisational barriers in order to get innovative solutions implemented, required consistent championing with different stakeholders, as can be seen from the following example:

We had put the page live, we told Perry “put it live”, but then at Online they said... Jesse had said there was a fault in the page, so they wouldn’t allow it to go live, and he removed it again. And then he went to Koos. [...] and he said “I don’t know anything about this, all of a sudden my people have to join in workshops, and they’re working on life events” [...] That escalated, but it was in the marketing plan that we were going to do it. Then General Insurance started to object, saying their product wasn’t ready. Patrick said it cannot go live, because things weren’t ready. [...] But now it’s live again... [laughs] But those are the things you run into, and you constantly need to keep kicking. But that’s what you have to do and you need people who can do that, otherwise you’ll never get through. (Acquisition Manager 2)

4.3.3 Customer Journey Process

Figure 4.8 shows the process that was followed with the relocation customer journey. The starting point is the corporate strategy, which the executive board and the strategy team develop into policies, guidelines, rules, targets and goals for each department within the organisation. Department managers use these to determine department targets and goals for the short and

the medium term. These activities are more-or-less ongoing and carried out independently of innovation initiatives such as the relocation customer journey.

Department managers are also responsible for the planning and operationalising of goals and targets. One of the ways of achieving the strategic goals of becoming a customer oriented company is improving customer satisfaction and retention. By analysing the reasons for leaving Inscomp, moving house was identified as a key life event triggering customers to reconsider their insurances and cancel their policy with Inscomp. A project was initiated to tackle this problem. The goals of the project were to increase retention, product density (number of products per customer) and sales. An external consultancy was recruited to help carrying out the customer journey method, based on a manager's earlier positive experience with that company and with the method.

The subsequent project followed a reasonably standard process of design and then implement. Reviews were carried out by department managers and members of the strategy team, and corrections made where necessary. The process was not strictly linear, with modifications and back-steps where necessary. Co-ordination activities between strategic levels were not highly formalised, but "organic" in nature, with a high degree of input coming from all stakeholders.

4.3.4 Business Model Innovation Process

In Section 2.4 of the literature review, theory was presented with the aim of describing the business model innovation process: the framework of Bucherer et al. (2012) for characterising business model innovation, and the theories of Casadesus-Masanell & Ricart (2010), Sosna et al. (2010) and Burgelman (1983) taking a process perspective of business model innovation. The business model as realised strategy, formed by managerial choices and their consequences has been discussed at length in Section 4.2, the other perspectives will be discussed in the following paragraphs.

Characterisation of the BMI Process

Firstly, we apply the analysis framework of Bucherer et al. (2012). The business model innovation process is analysed in terms of the sources of innovation, the innovation process, organisational implementation and anchoring and the degree of innovativeness. Table 4.4 gives an overview of the results.

The sources, or triggers, for the innovation process were a combination of external threats and internal opportunities. Externally, the insurance market is characterised by high price pressure, high competition and limited possibilities for product differentiation. Internally, an opportunity was seen to improve customer service. In particular though, the lack of possibilities for product differentiation has made Inscomp depart from a product-driven strategy and adopt a customer-centric strategy (Inscomp, 2015a).

The choice of change method to achieve this transition was not made at a strategic level. Instead, the strategy was translated into targets and goals for the second strategic level, consisting of functional departments and business lines. It was in the Marketing and Business Development department that the choice was made to use the customer journey approach. The design phase was iterative and carried out in a short space of time, as was the implementation phase. Prototyping was a central element of the design phase, with customers being directly involved in information gathering, solution generation and testing.

A cross-functional project team was formed to carry out the organisational implementation, that in turn called on different existing departments, for example ICT and the general insurance line of business.

Innovation ownership lay with the Marketing and Business Development department, without direct top-management involvement. Obstacles were encountered in the implementation phase due to conflicting organisational priorities, lack of resource availability and compliance issues.

The degree of innovativeness can be seen as “incremental”: with the relocation customer

journey, Inscomp did not enter into a new market or a new industry. Instead, it is a combination of new service offerings that play a different role in the customer process.

Framework element	Relocation customer journey
Sources of innovation	External threat and internal opportunity.
Innovation process	Customer journey method, chosen at the second strategic level.
Organisational implementation	Cross-functional product team, calling on existing departments.
Organisational anchoring	Ownership of innovation at second strategic level. Various organisational obstacles to implementation.
Degree of innovativeness	Incremental, a new way of offering services to customers.

Table 4.4: The framework of analysis for the business model innovation process applied to the Inscomp relocation customer journey.

Innovation Through Learning

In a case study of a wholesaler of dietary products, Sosna et al. (2010) found that business model innovation took place through a process of experimentation and second and third order learning. When we compare Figure 4.8 to Figure 2.6, we see that experimentation and evaluation, or second order learning, were part of the process, particularly for the cross-functional team. Monitoring improvements is a continuous process:

What I can see, is that if the customer gave a NPS score before, and then the time after, how is it then. I monitor that [the NPS scores], to see if he's happier, what happened and why that is. (Manager Customer Loyalty)

Third order learning and efforts to improve future customer journey processes are also present:

[...] we're also starting a community, in order to make sure we have the same approach: that's how we do a journey. I gave feedback to Alice, and said some things, and some things were changed and others will be included in a future version, others we just had to leave for now. (Manager Customer Loyalty)

Comparison to Internal Corporate Venturing

Burgelman (1983) has researched the process and activities involved in internal corporate ven-

turing (ICV) in a large, diversified company. We apply this theoretical framework by replacing corporate venturing with customer journey development in order to determine whether business model innovation in a large, diversified financial services company follows a similar process. The findings are presented in table 4.5. From the comparison, we see similarities in the linkages between strategic levels and the product championing activity. The main differences can be ascribed to the separated nature of a new corporate venture, compared to the more integrated nature of the customer journey.

ICV activity	Relocation customer journey
Technical and need linking	Instead of technical solutions, customer journey development was aimed at new value propositions and service solutions. They were brought together with customer needs through co-creation in the design phase ^{a, b} .
Product championing	Product championing was required in the implementation phase of the relocation customer journey, in order to acquire resources and planning priority ^c .
Strategic forcing	Targets were set for the customer journey in terms of product sales, although the change management aspects were also seen as important. Therefore not seen as the most important activity.
Strategic building	This is an important activity for new ventures as standalone entities, but the relocation customer journey was integrated into the existing business model.
Organisational championing	Organisational championing did not have strong emphasis during the development of the relocation customer journey. Top-level management were informed of results and were enthusiastic.
Delineating	The areas in which customer journeys were to be developed were determined by middle-level management based on customer insights ^d . Burgelman found aggregation of processes, products and activities to be an important part of delineation. By looking at the entire customer process, the customer journey method naturally aggregates service offerings and supporting processes.
Rationalising	Customer journey was part of the existing strategy, which did not need to be changed ^e .
Structuring	Structuring took place as an overlaying and ongoing process, through strategy formulation and articulation as goals, targets and KPIs ^{f, g} . This activity was not influenced by customer journey development directly, although it could be assumed that successful results would lead self-reinforcement of the strategy.
Selecting	Selection of the customer journey method by mid-level management followed the customer-focus strategy ^{d, g} . Strategic guidelines were adhered to, setting boundaries to the level of innovativeness ^h .

Table 4.5: A comparison of ICV activities with case data. Superscripts refer to supporting quotes, which are given in Appendix A.

4.3.5 Overview

Summarizing the business innovation process within Inscomp, we have found it to be strongly influenced by strategy and strategic choices. The choice of method for implementing the strategy is left to middle-management, who are given strategic targets, goals and KPIs. The customer journey process itself is carried out within the third strategic layer, or the operational layer, and follows standard project management practice. There is limited direct intervention in the customer journey development process from top-level management. Product championing is required to overcome organisational barriers to implementation. Managers of supporting departments need to be convinced of the need to give implementation priority and supply resources.

The business model innovation process at Inscomp is driven by both external threat (competitive market forces) and internal opportunity (transitioning to a customer-focused company). The customer journey method was chosen as a change process, and was carried out by a cross-functional team and existing departments. The process was anchored in the second strategic level, i.e. middle management, although various obstacles to implementation existed. The customer journey as a change process has led to incremental change, as opposed to radical change.

There are similarities between the internal corporate venturing process and the business model innovation process at Inscomp, particularly in the way the company is organised and the way in which the process is managed. The main differences stem from the separated nature of new corporate ventures and the integrated nature of the customer journey.

4.4 Other Findings

The semi structured nature of the interviews allowed for gathering of rich, detailed data that covered more than just the research questions. As subsequent interviews were carried out, recurring themes emerged that appeared to be important to the innovation process but not

directly covered by the research questions as formulated in Chapter 2. In order not to discard potentially valuable and relevant case data, these themes are included in the following sections. The themes and their relevance is summarised in Table 4.6. They are discussed in greater detail in the following sections.

No	Theme	Relevance to Research Topic
1	How intentional is innovation?	Which elements of the business model are intentionally innovated.
2	Innovation capacity is reduced by organisational barriers and conflicting priorities within the organisation.	Relevant to the management of business model innovation.
3	Basing value propositions on a life event leads to an innovative way of defining customer segments.	An novel method of market segmentation, has consequences for marketing and communication management.

Table 4.6: Selected recurring themes from interview data that were considered to be of value to the research topic.

4.4.1 Intentionality

An important aspect of business model innovation is whether it is planned or emergent, in other words the intentionality of business model innovation. This intention can be formulated at the business model level or at the business model component level. Innovation at the business model level was not an intentional part of the business model innovation process (see Section 4.3.4). Neither was innovation of the business model one of the aims of using the customer journey approach:

We haven't really fiddled around with these [cost structure and revenue streams], we've said if you improve the relationship, you innovate your value proposition, you aim it at the right people, then this [revenue streams] goes up. We haven't done anything with the business model itself. (Service Design Consultant)

As discussed in Section 2.2, there are various relationships between components, and innovating at a component level is the aim of the customer journey approach, besides innovating the customer process. Table 4.7 gives an overview of the way in which the different business

model components are addressed during customer journey development and the degree to which innovating those components is intentional.

Business model canvas component	Customer journey approach		
	Usage	Innovation	Aim within approach
Channels	Explicit	As a goal	Channel optimisation, avoid channel conflicts, create relevant touch-points ^{a,b,c,d} .
Customer segments	Explicit	Segmentation through an innovative process	Required for value proposition development. Based on life situations and personas, as opposed to traditional segmentation based on demographics ^{e,f} .
Customer relationships	Explicit	As an outcome	Improved customer relationship and CLV through optimised customer experience ^{g,h} .
Value proposition	Explicit	As a goal	Development of an attractive offering, optimisation of value proposition and customer segment ^{i,j,k} .
Key activities	Explicit	As an outcome	Key activities follow from the implementation of the value proposition ^{l,m,n} .
Key resources	Explicit	As an outcome	Key resources follow from the implementation of the value proposition ^{l,m,n} .
Key partners	Implicit or explicit	As an outcome or as a goal	Key partners are involved in order to complete key activities. Working with key partners can be a goal at the outset or an outcome of customer journey development ^{o,p} .
Cost structure	Absent or implicit	None, or as an (implicit) outcome	Not explicitly addressed within customer journey development, may be indirectly innovated with the aim of providing an improved customer experience ^q .
Revenue streams	Absent or implicit	None, or as an (implicit) outcome	Not explicitly addressed within customer journey development, may be indirectly innovated with the aim of providing an improved customer experience ^q .

Table 4.7: Summary of usage of business model canvas components within customer journey development, intentionality of innovating the component and the aim of addressing the component during development. Superscripts refer to supporting quotes, which are given in Appendix B.

4.4.2 Innovation Capacity

One topic that was mentioned by all of the respondents, was the difficulty of implementing innovations in the existing organisational structure. Table reftbl:reasons shows the reasons that were named. Upon viewing the reasons, we see that most are related to (conflicting) aspects of planning and prioritising.

No	Reason named	
1	Having to convince management of the new way of working ^a .	Acceptance
2	Frequent personnel changes ^b .	Planning and prioritising
3	Obtaining agreement from stakeholders, not knowing which stakeholders to involve ^{c,d,e} .	Organisational structure
4	Existing KPIs conflict with the aims of the customer journey ^{f,g,h} .	Planning and prioritising
5	Different planning horizons and priorities for supporting departments ⁱ .	Planning and prioritising
6	Dependency on other projects ^j .	Planning and prioritising
7	Technological limitations ^{k,l} .	Technology
8	Lack of focus: the cross-functional project team had other work obligations next to developing the customer journey ^{m,n} .	Planning and prioritising

Table 4.8: Reasons named by respondents as barriers to implementing innovations. Supporting quotes are given in Appendix C.

4.4.3 Customer Segmentation with Life Events

When buying advertising slots from a radio channel, the slots were sold by target customer segment. These segments were based on consumer characteristics, such as age, income, geographic location, gender, interests etc. This brought to light that the customer journey doesn't use traditional marketing segmentation based on consumer characteristics, but a segmentation based on life events. Although many life events can be linked to a set of characteristics, such as having children to the 25 to 35 age group, some are independent or only partially dependent, such as relocation. In the case of another customer journey project at Inscomp, linking life events to consumer characteristics was done using personas, including personality as a

dimension of segmentation:

What we have done is look at the emotional character of people. (Strategy Analyst)

Linking life events to customer segments based on characteristics can be difficult. For relocation, the target customer segment consisted of all people considering moving or in the process of moving. This could potentially include all adults from young to old, single or in a relationship, in all parts of the country, with a range of incomes, education level and interests:

The difficult thing about moving, is that other life events can be the reason for moving, so cohabitation is a reason I might move, or a new job or family planning can be a reason for moving. So because relocation is so broad and expansive really, it's relevant for so many people—that's the reason we started it, because it's so relevant, but also more difficult to segment. (Service Design Consultant)

A problem with using life events to segment the market is that life events are transient, and might only occur once in a person's lifetime. This makes membership of a customer segment based on a life event something temporary, and people in the segment constantly changing. It would be difficult for example to have a subscription-based service for such a customer segment, as this implies continuity.

4.4.4 Overview

The previous sections illustrated several themes that emerged from the interview data: that the intention to innovate can exist at different levels and for different components of the business model, that innovation is hampered by the structure and processes of the organisation and that customer segmentation using life events leads to new challenges in marketing and communication.

Chapter 5

Conclusions and Discussion

The central research question for this thesis was: “what is the relationship between innovation using the customer journey method and business model innovation?” This question was formulated based on the empirical observation that the two topics used shared terminology and that both are concerned with innovation. The main conclusion of the research is that using the customer journey approach to innovate components of the business model leads to business model innovation.

Proposition 1. *Using the customer journey approach leads to business model innovation.*



Figure 5.1: Using the customer journey approach leads to business model innovation.

In the following sections the conclusions are given for each of the three derived research questions, followed by limitations and implications of the research and recommendations for future research.

5.1 Relationships Between Components

The first research question asks: “what relationships exist between components of the customer journey and components of the corporate business model?”. On the whole, the components of the business model canvas and the customer journey are defined and used in the same way. The relationship is one of level of detail, which is higher for the customer journey. The scope of customer journey development was therefore much narrower than the scope of business model innovation. At a component level, there was a high degree of alignment between the corporate business model and the customer journey. The customer journey implemented existing channel and marketing strategies while finding innovative ways of doing so.

Customer journey development focused on those components that are involved in the customer relationship and which lead to customer experience. The aim of customer journey development was to improve both these aspects for a certain customer process. Components of the business model that are less visible to consumers, such as the cost structure, were not addressed specifically during customer journey development. Because of this, the new or modified components of the business model have to be integrated with existing components that have not changed, such as premium payment processes (key activities component). Figure 5.2 represents the relationship between the corporate business model and the customer journey business model. The customer journey business model is small compared to the corporate business model. The region of overlap comprises of existing business model components that are integrated, the non-overlapping adds to this new and modified components.

Customer journey development particularly acts on the value proposition, customer relationships, channels, customer segments, key activities and key resources. One of the most important key resources of the company is its brand perception. Because the customer journey approach is aimed at a positive customer experience, it has the effect of improving brand perception. In the case study, it was found that consumers participating in the customer journey development process were happily surprised by the people working at Inscomp and what they

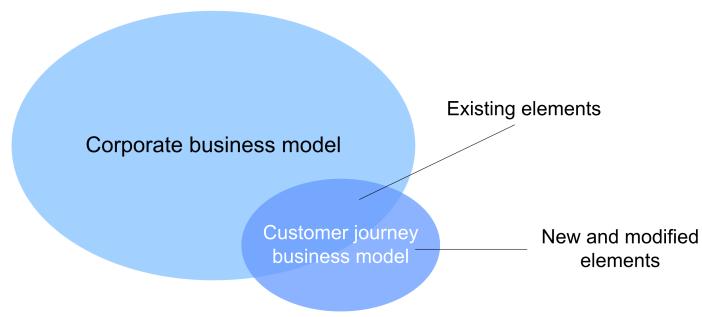


Figure 5.2: Relationship between corporate and customer journey business models.

were doing. The response to the radio advertising campaign was similarly positive. This leads to the following proposition:

Proposition 2. *Brand perception and awareness, as key resources, are improved by using the customer journey approach.*

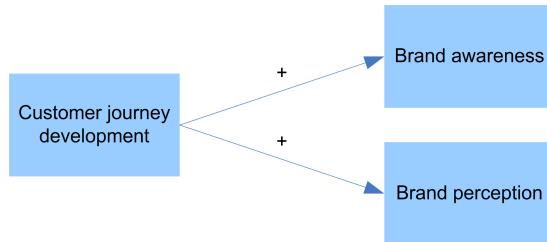


Figure 5.3: Brand perception and awareness, as key resources, are improved by using the customer journey approach.

Another key area where customer journey development has an impact is on channels. A multi-channel approach was used which led to innovative results for the intermediary channel, the online channels (web and mobile) and broadcast channel (radio). This gives the following proposition:

Proposition 3. *Customer journey development has a positive effect on multi-channel innovation.*



Figure 5.4: Customer journey development has a positive effect on multi-channel innovation.

5.2 Customer Journey and Business Model Innovation

The second question was formulated as: “how can customer journey development contribute to business model innovation?”. In order to answer this question, three criteria were formulated in Section 2.3.

The business model can be seen as “realised strategy”, a set of managerial choices and consequences (Casadesus-Masanell & Ricart, 2010). Seen this way, customer journey development contributes to business model innovation when it creates virtuous cycles: chains of cause and event that reinforce the strategy and the business model. These virtuous cycles were found, in that the customer journey implemented the strategy and the results of customer journey development reinforced the strategy. Interestingly, the choice to limit investment in innovation may have led to small scale initiatives, such as the customer journey, which do not rely heavily on research and development efforts but on a process of limited investment and high consumer involvement. Which leads to the following propositions:

Proposition 4. *Driving strategic change while limiting investment leads to innovative, small-scale change initiatives that innovate the business model.*

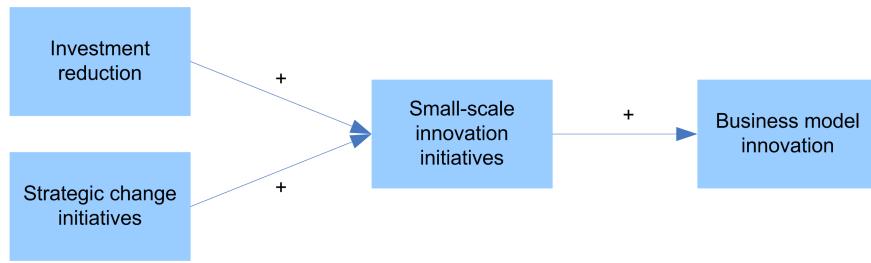


Figure 5.5: Driving strategic change while limiting investment leads to innovative, small-scale change initiatives that innovate the business model.

Proposition 5. *When customer journey development is carried out at an operational level and bound by corporate strategy, the scale of innovation is small when compared to the overall business model.*

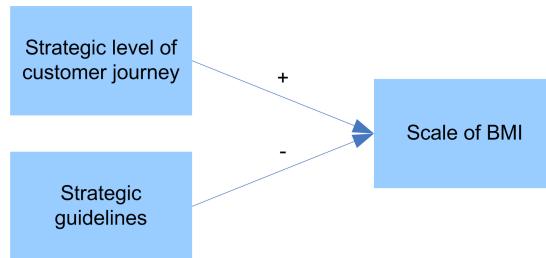


Figure 5.6: The strategic level of CJ development is positively related to the scale of innovation.

In order to deliver a functioning business model, customer journey development must address all components of a business model. This assertion was tested using the business model canvas (Osterwalder & Pigneur, 2010). It was found that where components had not been innovated explicitly, integration with existing business model components took place. The link was made through existing and modified insurance products, in which the cost structure and revenue stream components are contained. The result was that the relocation customer journey could be mapped on the business model canvas as a complete, functioning business model. This leads to the following proposition:

Proposition 6. *The outcome of customer journey development can be described as a business model.*

Creation of sources of value and modification of the activity system is another indicator of business model innovation (Zott & Amit, 2010). For the relocation customer journey, novelty of content and governance was found, as were complementarities of channels and touch-points and increased efficiency for customers. Lock-in was however limited by legislative constraints. The main source of lock-in being the attractiveness of the value proposition and the benefits that it offers.

Proposition 7. *Customer journey development leads to the creation of the sources of value: novelty, lock-in, complementarity and efficiency.*

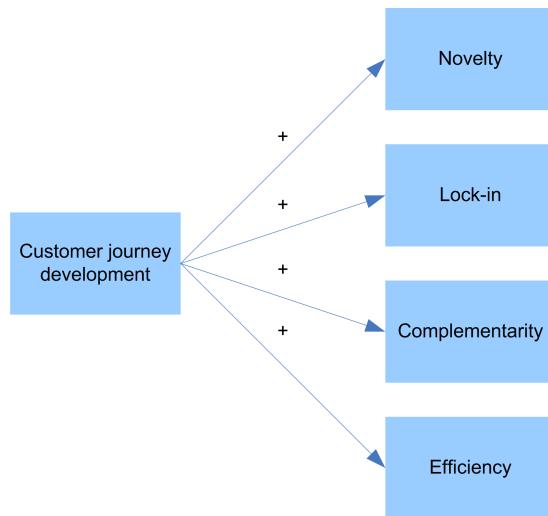


Figure 5.7: Customer journey development leads to the creation of sources of value.

By the three criteria developed from the above theoretical frameworks, the customer journey process did lead to business model innovation. The scale of innovation was small compared to the company's overall business model, the process was driven strongly by company strategy.

5.3 Business Model Innovation Process

In the case study, there was a high degree of alignment between the strategy development process and customer journey development. Strategy development is an ongoing process at the top strategic level of the company. Methods of implementing the strategy are determined at the second strategic level, consisting of department managers. The customer journey took place at the third strategic level, the operational level. The customer journey process was started as an outcome of the customer-centric corporate strategy. The information flow within these three processes—strategy development, implementation method choice and implementation—is from top to bottom, with limited upward feedback and—in the case study—no upward influence on processes.

Innovation in itself was not a strategic choice for Inscomp NL, as the Inscomp worldwide strategy was to obtain innovation from outside the company, through joint-ventures and acquisitions. This strategic choice left small-scale innovation initiatives within Inscomp NL as the only business model innovation trajectory available.

Proposition 8. *Customer journey development is an available bottom-up business model innovation trajectory when innovation is not part of the corporate strategy.*

At the operational level, a lack of strategic focus on innovation led to barriers to implementation in the organisation. With a focus on operational efficiency, supporting departments have difficulties in supporting innovation initiatives that are hard to plan and have uncertain outcomes. Personnel have limited slack time available to participate in innovation initiatives such as developing a customer journey because of a full work schedule. It was difficult to create a fully dedicated team that could work on the project full-time, reducing focus on the project.

The lack of alignment between the customer journey process and existing organisational structures and processes led to a large number of hurdles that needed to be overcome. As most of the hurdles were related to planning and prioritising, this reflects the lack of strategic

priority within Inscomp NL for innovation (see Section 4.3.1). This means that innovation is not part of the KPIs set for middle management and in turn for operational management. When department and team plans are made, no reservation is made for unplanned innovation initiatives. By adding KPIs for innovation, implementation would be facilitated.

Proposition 9. *Having business model innovation as a strategic goal decreases organisational barriers to implementation.*



Figure 5.8: Having business model innovation as a strategic goal decreases organisational barriers to implementation.

Having to overcome organisational barriers to innovation also led to an entrepreneurial spirit however, favouring project members that enjoyed or were good at championing the innovations developed by the customer journey project. Product championing, but also bargaining and coercion were seen as requirements for implementing the project successfully.

Proposition 10. *Entrepreneurial behaviour is required to implement innovations in an organisation where innovation is not a strategic goal.*

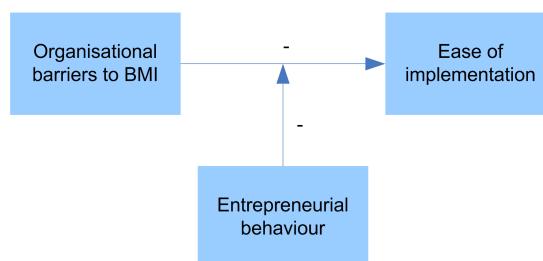


Figure 5.9: Entrepreneurial behaviour is required to implement innovations in an organisation where innovation is not a strategic goal.

Using the framework of Bucherer et al. (2012), the business model innovation process within Inscomp NL can be characterised as having internal and external triggers, using the customer journey approach as a change process, forming cross-functional teams, having ownership at the second strategic level and leading to incremental business model change.

Comparing to the findings of Sosna et al. (2010), business model innovation within Inscomp NL also involved “trial-and-error” learning, consisting of experimenting and second and third order learning. Business model innovation for the whole company could be attained by replicating this process.

Similarities were found to the internal corporate venturing (ICV) process described by Burgelman (1983), particularly in the linkages it creates between strategic organisational levels. As with ICV, the customer journey approach was a bottom-up approach, which take place within strategic and organisational structures. The relocation customer journey was integrated with the existing business model, whereas new ventures may be absorbed into existing departments, when there is sufficient alignment, or separated completely.

5.3.1 Other Findings

It was found that business model innovation was not a main aim of customer journey development. The main aims of the approach were developing a new value proposition, innovating services and developing the service blueprint to support these. Intentionally innovating components of the business model, i.e. the value proposition, channels/touch-points, customer segments, key partners and key activities does however implicitly lead to business model innovation. This gives way to the following proposition:

Proposition 11. *Intentionally innovating components of the business model leads to unintentional business model innovation.*



Figure 5.10: Intentionally innovating components of the business model leads to unintentional business model innovation.

A novel approach to customer segmentation followed from the chosen life event. This made marketing, aimed at “traditional” market segments, difficult. Because life events are often restricted to certain times or phases in a person’s life, the consistency of the customer segment changes continuously. This makes, for example, offering a long-term subscription to a product or service difficult or impossible. Communicating with the customer segment in a targeted way is also difficult, because traditional media target consumers by taste and interest, characteristics which only change slowly over time, if at all.

Proposition 12. *Customer segmentation by life events reduces alignment with customer segments employed by traditional marketing media.*



Figure 5.11: Customer segmentation by life events reduces alignment with customer segments employed by traditional marketing media.

5.4 Limitations

Although case studies are suited to in-depth research into complex phenomena, results are often limited to the context they are studied in and lack generalisability (Yin, 2014). By choosing a large, diversified financial services provider, parallels can be drawn with many other companies with similar structure, activities and governance.

A more practical limitation comes from time constraints under which the research was carried out. In the given time, a limited number of interviews could be carried out. The goal of theoretical saturation was approached, but not fully achieved. In an ideal research situation, every respondent statement should be checked against other respondent statements and—where possible—against secondary sources. For the case study, care was taken to at least identify conflicting statements, of which there were few, and to weigh the value of respondents interpretations of events.

Further limitations to the research stem from the complexity of the research topic. Business model innovation is by no means a fully defined concept, and it is viewed by different researchers in different ways (see for example Section 2.3). Effort has been made to apply multiple perspectives to this case study, and a degree of synthesis has taken place.

5.5 Managerial Implications

For managers of large financial services companies aiming to innovate the business model to fit a customer-centric strategy, using the customer journey approach is a suitable choice. The approach can be carried out with limited resources and on a short timescale. Using the approach both addresses shortcomings of the existing business model and offers a structured method of creating a new customer experience and innovating components of the business model.

If there are lessons to be learned from the process at Inscomp, it is that the implementation phase of the customer journey process could be given more strategic backing. On the other hand, there are also indications that organisational barriers can be overcome by encouraging entrepreneurial behaviour, perhaps leading to an entrepreneurial subculture within the company. Which scenario is preferable comes down to the choice between facilitating innovation or promoting self-efficacy and a “DIY” mentality.

In a way, this also applies to the company’s customers. If Inscomp were to have realised

its initial ambitions, it would have become a relocation authority. This would have offered customers “one-stop shopping” during a relocation but would have put an enormous burden on the company to substantiate this position of authority. The other extreme is to stick to core business, i.e. insurance products, and rely on self-efficacy of customers in finding the right products and solutions for their needs. Both extremes are impractical of course, but can aid in the discussion of the company’s positioning in the customer process.

Finally, by making the customer journey approach a key process within the company business model, incremental business model innovation also becomes part of the make-up of the company, leading to constant improvement through second and third order learning.

5.6 Recommendations for Future Research

The case research was carried out within a large, diversified financial services provider with a tiered, corporate structure. Additional case studies in different sectors and in different organisation types would help in removing idiosyncrasies that are particular to this study’s research context. Additionally, this chapter contains a list of propositions that can be empirically tested by future research.

In the field of business model innovation, further efforts should be made to synthesise different perspectives on the subject. For example the choice and consequence model of Casadesus-Masanell & Ricart (2010) and the activity system perspective given by Zott & Amit (2010) could be combined for a particular managerial choice.

In the field of customer journeys, more effort should be made to unite heuristic, experience-based knowledge and scientific research. The current state of customer journey literature is an á la carte collection of science, common sense and experiences made by authors. Books for practitioners often lack methodological and scientific rigour.

Appendix A

Comparison of ICV and Case Data

The following quotes are supporting evidence for Table 4.5.

- a) *Well, we saw from the interviews that customers needed structure and overview, concerning their move. About expenses and the things they needed to do. So that's what they need, and you can address that with innovation or by other means. (Acquisition Manager 1)*
- b) *What they [Buro Koos] did, was give a diary to a group of customers that they had to fill in for two weeks: what were the cool moments, what were the tough moments. After that, an Inscomp employee went by the customer's house to spend one hour discussing the diary. Earlier we had formed a work group, with different people from marketing, IT, online, that would be relevant during the implementation. We asked all of them to visit customers. (Acquisition Manager 2)*
- c) *And then he went to Koos. [...] and he said "I don't know anything about this, all of a sudden my people have to join in workshops, and they're working on life events" [...] That escalated, but it was in the marketing plan that we were going to do it. Then General Insurance started to object, saying their product wasn't ready. Patrick said it cannot go live, because things weren't ready. [...] But now it's live again... [laughs] But those are the things you run into, and you constantly need to keep kicking. But that's what you have to do and you need people who can do that, otherwise you'll never get through. (Acquisition Manager 2)*
- d) *From the strategy, we want to be relevant in the residential domain, we're*

talking about residential career, and we have facts, so for example they [Customer Intelligence] made a huge analysis, customer turnover analyses, what are the reasons for people leaving. That indicated moving house was an important reason. (Acquisition Manager 2)

- e) *...I cannot remember an instance where we had to change things [strategy, as a result of customer journey development]. (Strategy Analyst)*
- f) *We want to have such a market share, for example. In home insurance. Or mortgages. We want such a market share and these amounts of sales and this customer satisfaction. Those are more or less the main KPIs that you're given. Then below that, there is the layer where we decide how to apply them. So what initiatives will we take to achieve those goals. And one of them was the relocation customer journey, where we looked at, okay, we want people with a certain life event and that was the relocation life event, that's where we see an effect in sales, or customer satisfaction or customers leaving. (Strategy Analyst)*
- g) *That's what I mean by mission, vision, strategy, that if the strategy is clear, then it's just implementing a marketing programme. That's being more relevant to customers and we're doing that in a number of ways. We don't need top-level backing, because we're already doing what they want. (Acquisition Manager 2)*
- h) *I have to say though, the high-level strategy is so high-level, that the operational implementation could be done in different ways. But some things just need to be included, one of which for example is that we have agreed with the intermediary channel that we don't approach their customers directly. (Strategy Analyst)*

Appendix B

Intentionality of Component Innovation

The following quotes are supporting evidence for Table 4.7.

Channels

Innovating the use of channels for touch points in the customer process is an explicit aim of the customer journey approach (Hoogveld, 2014). Several respondents commented on the need to innovate, manage channel conflicts and the need to stay relevant to customers within the customer journey:

- a) *... at the same time we were doing the relocation journey, there was a pilot running that we expanded: the save desk. Something that Inscomp, as far as I know, had no experience with, but that's also because our expertise with respect to call-centres is in its infancy, another legacy of Inscomp being a product factory, and now it has to go much more towards services. (Content Manager)*
- b) *We also did something quite new, we also tried to... also involve intermediaries in the online channel. The majority of customers orientate online before buying insurance, [...] whether they buy it online or through an intermediary. That's why we decided to make banners with the intermedi-*

aries. So we applied dual branding en we made a banner in the relocation communication style with the Inscomp logo on one side and on the other side the name of the intermediary and where you can find him. And in the end we did that for our top forty-four intermediaries. (Acquisition Manager 1)

c) *[On channel conflicts] Yes, and not fight each other; but both [channels] have to, both disciplines have to innovate. (Content Manager)*

d) *So there I am in my shop, in a mall in a new housing development, and suddenly people stop coming in, because in their customer journey they're doing completely different things on the Internet, talking to completely different people, reading reviews, making me suddenly drop out of their customer journey. (Acquisition Manager 2)*

Customer Segments

The target customer segment is determined by the life event for which the customer journey is being developed (see also Section 4.1.2). As a guide for developing the value proposition, personas are used that depict a typical member of the target customer segment. These are also categorised into several types, based on personality:

e) *...but the Inscomp customer segment is no longer demographic... We're really saying we want to be relevant in all phases of a consumer's lifecycle. So we don't target 20 to 25 or anything like that. (Acquisition Manager 1)*

f) *What we did, was look at what the emotional characters of people are. That was a very nice study [...] large market research company, they looked at... which types do we want to focus on. (Strategy Analyst)*

Customer Relationships

One of the main goals of using the customer journey approach was improving the CLV by increasing customer loyalty and product density through improving customer relationships. The intentionality of innovating customer relationships is reflected by comments from several respondents.

- g) *...the marketing strategy is no longer to sell products but to be relevant to customers in the residential and financial domains. And that we look into ways of being relevant. The second thing is, we manage the customer relationship, and that means doing more with the customer once we have him in, so manage the CLV, so that the customer stays longer with more products. (Acquisition Manager 2)*
- h) *Yes, presenting your brand in a different way. I've seen it in the evaluation of the campaign, that asked "what do you think of the relocation campaign?", and people said "it doesn't really fit with Inscomp", and that's exactly what we wanted, because we wanted to be different from the current image people have of Inscomp, we wanted to make it more personal, show more of "we understand who you are". (Service Design Consultant)*

Value Proposition

Creation of a new value proposition is another of the main goals of the customer journey approach. The value proposition is based on a life event, the type of customer relationship that the company wants to engage in and analysis of different types of customer feedback.

- i) *The goal was designing a new value proposition. And the customer journey was a method to do it, a means, yes a means. (Service Design Consultant)*

The “old” way of developing value propositions was based on products, looking at services from a customer perspective is in itself an innovative approach.

- j) *...so what you're doing is turning it around: instead of saying "okay, insurance, home insurance, because I'm moving" you say "I'm moving, so I have to do something about my insurance". On the one hand because life event thinking has become important, which is fact-based, but perhaps also from a new business perspective, how can we be more relevant to people. (Service Design Consultant)*

An interesting way of determining whether the value proposition is sufficiently innovative, is by the amount of “distress” it causes in the organisation.

k) *...so that's a challenge: how do I find the trigger for the [customer] process, how do I define it, how broad is the scope and how do I become, in terms of relevance, how do I then develop a nice, good value proposition and if its right then it will hurt somewhere in the organisation, right? Probably, because the customer journey has changed and my old way of being relevant has changed. (Acquisition Manager 2)*

Key Resources and Activities

Innovating key resources and key activities was not a major aim of the customer journey process. They are changed if necessary for the implementation of the customer journey, which could lead to innovation. This was on the whole not the case for the relocation customer journey, however.

l) *You start to redesign that [customer experience], and then you translate back, what are the consequences in the company, and that is what the service blueprint is. So then you have a new [...] customer journey and the phases that are there, underneath are the touch points, so what are the concrete things that I will address, that could be a web site, an employee or whatever, or a brochure or something. You subsequently visualise the internal consequences, you can use swimming lanes, with the different departments or systems, and then you can draw how they interact with each other to provide the service.*

m) *You're crossing, and that's the big organisational impact, you're crossing lines of business. For relocation, everything was more or less within general insurance, but we're doing the same for moving in together and then you need to cross internal silos. (Service Design Consultant)*

n) *You can still do your journey, and then you look at where are your internal processes, while listening to customers you try to change those, and then make it visible: doing this means that result. (Manager Customer Loyalty)*

Key Partners

For the relocation customer journey, it became clear that it could be an interesting option to partner with other companies playing a role in a consumer's moving house. This was not a

goal at the outset however, initially these companies were seen as “competitors”, also vying for the consumers attention.

o) *We looked into that at the time: there are many competitors, because all the utilities companies are on to it. BOL also has its own page for moving. So when do people come to us? [...] So we're talking to utilities, but which one? So then you get onto the topic of partnerships, which is more your [Trainee Innovation, innovation] department, so we are talking to Eneco, but there's also Nuon and they are doing things but perhaps on a larger scale. We could also do NEM, shake things up a bit in a different way... (Acquisition Manager 2)*

One of the outcomes of the relocation customer journey was an improved way of interacting with intermediaries through the dual-branded campaign:

p) *...the close involvement between intermediaries and Inscomp has increased again, because Inscomp is doing things to help the intermediary. And so... is willing to sell more than one Inscomp product to one customer.*

Cost Structure and Revenue Streams

Innovating the way customers pay for services, or changing the way in which revenue is generated was not a goal of the customer journey redesign process:

q) *This we didn't really do anything about, we just said: if you improve the relationship, modify the value proposition, do that for the right people, then this [revenue streams] will go up. So we didn't tinker with the business model itself.*

Appendix C

Barriers to Innovation

- a) *So we had to convince quite a few people, right, management, because it [customer journey development] was a new way of working. (Acquisition Manager 1)*
- b) *One of the problems was with our online marketer. The previous one left, then we got a replacement on a temporary basis, but he got swamped in his work, because you're dealing with people who also have their daily targets, and then you have to pull them away from their work for something that we don't even know if it's relevant. (Acquisition Manager 2)*
- c) *...you need to think beforehand which departments you need and try and involve someone from each of them. [...] We tried that, but you don't know beforehand exactly who you need. (Acquisition Manager 2)*
- d) *For example Security, that was a lot of trouble all of a sudden with the fake app. (Acquisition Manager 2)*
- e) *[...] what we see is that the go-to-market teams, if you just throw the value [proposition] canvas in there and let them fill it in, that they come up with stuff very quickly and get started on it. Until... you get to the barriers: oh, wait, we also need that department, oh, we also need to get Legal to look at it... (Strategy Analyst)*
- f) *You have different KPIs, and that limits progress. (Service Design Consultant)*
- g) *At BIS they need to get such-and-such done, otherwise they will have a bad end-of-year appraisal. (Acquisition Manager 2)*
- h) *For example the save desk, they get appraised on how many phone calls*

they've handled. (Acquisition Manager 2)

i) *They said: it doesn't have priority right now, you'll be the first in line in 2017... That obviously doesn't help if I want to get everything done in 12 weeks...*

j) *The question is: are you taking a value proposition where you are selling insurances, are you going to put it live even though the product isn't ready? Besides that, we now have sort of a communication calendar, that we think—for the first time—very carefully about what we communicate and when, what are we communicating about the brand, and everything you do has to connect to that, has to complement it. That campaign was postponed, the income campaign, we would come after the income campaign and the product had to be ready, so we had actually done it in twelve weeks—we were finished early May—but we had to wait till now, beginning of October [2015] to go live.*

k) *The reality is, last year we went online with a new website, and we're very happy with it, but even our new website has its limitations. (Content Manager)*

l) *There are limits to how fast we can facilitate innovations. (Content Manager)*

m) *We had someone from base [marketing]. [...] he comes to interviews, then he gets a project, 360,000 new customers or something, he starts to drown in projects so he says "I'll get out of this". Because these are fun projects that will deliver in the long run. We had the same with cX, with Online and with the base team. And that makes it tough. (Acquisition Manager 2)*

n) *Ideal... in theory. People take their responsibility for their own work. They get to work in a dedicated way. If it weren't that people also had their daily activities. So they're not dedicated to the team at all. Because they also have to put together marketing reports, they have to do product development... (Strategy Analyst)*

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