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The Agile Business Revolution

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Intro: **Be agile or die - The agile Business Revolution**

André Morys | Founder / CEO of konversionsKRAFT

Intro:

- Most people are searching for silver bullets that are applicable quickly + easily
  This year, the #gms19 will be focussing on strategy, culture on process - so it's gonna be a hard day
- Andre shows three winning principles of A/B-tests:
  - Value Propositions: If they are relevant, up to +7.3% more revenue
  - Scarcity and Herding: Only combined up to +9.7% revenue
  - Cheering: Make people feel good as soon as it gets tough: +5.8% revenue
- More important: All these winning experiments are based on human behavior
- Experiments that are based on principles can be scaled, contrast can be higher

Agile Evolution:

- Companies die from waves of evolution if they don't adapt to change
- Survival Framework:
  - Adapt to change > grow > stay alive
  - Don't adapt > don't grow > die
- **It's not about digital - corporations have suffered from evolutionary pressure ever since**
- On the lowest level, growth is based on 2 factors: Effect and Time
  - More effect - more growth
  - less time - more growth
- Unfortunately, this is mostly about effectiveness, not efficiency, but most companies focus on efficiency, especially if they are bigger
- **Agile means learning quicker what works - not working faster!**
- Finally you will need both > efficiency & effectiveness

Agile Growth Model:

- Agile growth needs:
  - Customer centricity - only if changes are relevant and fit to a customer need they will increase results
  - Data drivenness - only if the effect of a sprint is measured, companies can learn from it
  - **If you don't measure the results, being agile makes no difference in the worst case**
- You can't see the relevant factors - Amazon for example makes not visible, that they are extremely customer obsessed and data driven

Agile Growth Process:

- Three abilities are important: Analyze customer needs, prioritize hypotheses and validate hypotheses
- **If one of these abilities is limited, the overall outcome is limited** (theory of constraints)
- Growth works on different levels:
    - Elements / Features: Low risk - low gain - low effort
    - Principles: Low risk - higher gain - medium effort
    - Products: Higher risk - higher gain - higher effort
    - Business: Highest risk - high gains - high effort
- The Agile Growth model shows all potential mistakes in digital growth:
    - Less abilities in analysis of customer needs
    - wrong prioritisation
    - wrong execution of validation, wrong interpretation of results
    - no explicit decision about where to experiment (levels)
- Model can be compared to three horizons model of McKinsey - **Make a conscious decision where to test!**

The speakers today will cover the whole field - from experimentation to behavioral economics, product innovation and lean startup towards detailed case studies about executing experimentation on these levels

Democratizing Online-Experiments at Booking.com

Subtitle

Lukas Vermeer | Head of Experimentation at Booking.com

- Booking is running 1000+ concurrent tests by 2000 people at the same time
- because of company culture
- gut feeling is not a proof that something works

- Data driven companies only work if people are empowered do to things on their own!
- Validation is only part of the process. It comes last. Experimentation is a good tool to validate.
- “The plural of anecdote is not data”
- Asking people about their opinion is not validated data
- “The plural of anecdote is data” Raymond Wolfinger
- Lukas did a survey among six people working at booking who do experimentation about their testing mindset -> how do you do experimentation? what is your mindset regarding experimentation?
- We do not need every type of data, we need validation!

- Button colour testing is not hypothesis based testing
- Green or blue buttons can not be prioritized
- It’s not about yellow or blue, it is about contrast and interpretation and user problems
- Tests need a hypothesis-> booking has own template for formulating the hypothesis
- 9/10 tests “fail”. But what does “fail” mean? Does it mean you didn’t learn something?
- Booking’s infrastructure makes it possible to fix things within seconds

- Hypothesis testing starts with a problem of the customer
- Booking tested 6 months on sorting algorithms of shown hotels with machine learning
- when they looked at click rates, they found out that people do not click on shown hotels but just use the search box
- they tested with a version without showing the hotels at all, also removed the ML logic behind -> website got faster -> uplift in version without showing the hotel
- Start with the biggest small step first!

Harnessing the Power of Mental Agility: Tapping into the Science of Change

Subtitle

Dr. Nicole Lipkin | Organizational Psychologist & CEO Equilibria Leadership Consulting

- **Intro**: Psychology of agility: Experiment: Nicole shows different words and asks the audience to write down as many words as they remember
  -> she asks the audience about different words that were not included on the paper: (f.e. the word “sleep” but on the paper was the word “bed”)
  -> reason is that the brain takes “mental shortcuts” that are effected by all the experiences and differ from person to person. Without these shortcuts the mind won’t be able to move forward.
  -> this shapes thoughts feelings and ultimately behaviours

- “We don’t see things as they are. We see things as we are.” – Anaïs Nin

- “We have approximately 60000 thoughts a day, 95% are the same thoughts we had yesterday.” - Deepak Chopra

  => ”Resistance to change kills agility!”

- Why are we so resistant? – in order to maintain an equilibrium
- **4 reasons for this resistance:**
  1. Our brains are wired this way.
  2. Psychological biases
  3. Exhaustion
  4. Mindset

- **Examples**:
  1. **Sunk cost bias:** Making excuses stops you from making changes
  2. **Loss aversion**: Humans feel pain of loss twice as much as they feel pleasure from gain.
  3. **Status quo:** Human beings prefer to keep things the way that they already are.

  => These biases took down some of the biggest brands like Kodak, Borders or Blockbuster

  => Making the same decisions over and over again takes down companies.

Counteract biases:

- Work on self-awareness
- Know the biases
- Get it out of your head: more of a chance to take the emotion out of it
  -> write it down
- Create psychological safety: “I can be who I am, I can make mistakes.”
  -> If you have this safety in a culture you gain more stability.

The Mind lies

Ego depletion: “The more depleted we are, the less of a fight we can put up.”
-> you get less agile and lose the ability to make change.

- Test among people in groups who were to find a solution for a task: one was to rewarded with a chocolate chip cookie, the other with radish, and the control group would get nothing: who gave up first? – the radish group à but why?: depleted for being slightly different from who they are (difference: I vs. what I should be/do, namely to eat the cookie)

Counteract Depletion:

- Routine: take the choice away from yourself
  -> this way you think less about decisions and can remain more agile.

Mindset is underestimated: There are two types of mindset:

1. Fixed mindset: I already learned what I’m gonna learn. Not taking any risks.
   -> no changes and no improvement
2. Growth mindset: Always open to learn new things, embracing challenges.

Question to the audience: Where do you have a fixed mindset?

- It’s about making a decision of being more open (and thus agile).
- Individuals can change, it’s however hard to change organizations that easily.

=> Be agile:

- Adapt an agile mindset
- work on self-awareness

Tips for managing other people's resistance:

- Know, teach and counteract biases
- Position change in the person's best interest
- Encourage open dialogue
- Control your reactions and emotions
- Encourage a growth mindset
- Keep the "what's working / what's not dialogue" open and frequent
- Show both sides of the coin
- See it from the other person's point of view to help manage resistance. This is key for change!

How to get your entire organization psyched about experimentation

Subtitle

Natasha Wahid | Head of Marketing at GO Group

Factors for fast-growing companies

- You have to have a culture of experimentation for testing
- Faster growing companies have higher number of employees in specific functions
- Ownership is also a factor of successful fast-growing companies
- Core daily activities are linked to KPIs
- Fast growing companies have
    - Open communication
    - Knowledge sharing
    - Empowerment to take risks
- Fast have more means of understanding customer (and customer data)
    - Journey Analysis
    - A/B-Testing
    - Surveys
    - ....
- Using results as learnings for following tests and concepts

Live Notes:

- Why should we even care about getting our organization psyched about experimentation?
- Different levels of experimentation maturity
- How do you foster this culture?
    - Inspire
        - Create awareness of new possibilities (People **want** to do it)
    - Educate
        - Learn **how** to do it
    - Inform
        - Communicate knowledge
- A Core Team should own testing with these factors (inspire, educate, inform)
- The Experimentation mindset should permeate the whole business
- Executive level needs to buy the experimentation spirit
- How to generate the exec. level buy-in:
    - Prioritize according to objectives
    - Proactively **share** results and learnings
    - Functional feedback loops at every level
    - Assemble a multifunctional core team (in-house or external)
        - Takes responsibility for the 3 factors

-
- Make sure everybody understands the **WHY of experimentation** (according to their function)
- Educate your executives! Walk them through how you designed the test and what results you achieved.
- Example for enabling experimentation in your company:
    - Verbally promote A/B-Testing with your stakeholders
    - Inspire by giving Revenue Uplift estimates
    - Provide your stakeholder with a formal presentation for his stakeholders
- Areas of Focus
    - Documentation & protocol
    - Knowledge transfer
    - Democratization of knowledge
- People outside of the experimentation team have a narrow view on the topic
    - Educate them thoroughly, make them ask questions, foster their own interest in the topic
- What are key Goals and KPIs for your Business Unit in the next quarter? In the next year?
- Are there learnings from other teams that you could use for your product team?
- Documentation (super important)
    - Clarify responsibilities
    - what needs to be comm.
    - When How
    - Who owns what
    - => Build a Documentation Plan
        - What Information needs to be shared
        - Methods of sharing
        - Line of communication
        - Intentional Timing

Disruptive Conversion: Stop optimizing and start rethinking - How to increase conversion in big steps

Subtitle

Ruppert Bodmeier | CEO & Co-Founder disrooptive

what kind of thinking do I need to break up with old industry standards?

- biggest changes come from other industries
- dont just do the same as your competitors
- ask what are the challengers for the customers
- axel springer had only 1 item in the shopping basket per user
- why not removing the shopping cart?
- restructuring how they sold magazines increased conversion by 100%
- find your challenge and find a solution to it
- rapid innovation canvas
    - what are the biggest challenges my customer has?
    - how can we help to fix that?
    - best idea will be documented in the canvas
    - look for other solutions outside your own market and collect as many as you can
    - what makes these solutions so special?
    - scribble every little detail you find
    - adapt these solutions to your challenge and iterate
- international teams can bring solutions you never heard of
- innovation through recombination, prototype the solution

Surviving in the age of Agile

Subtitle

Eric Ries | Entrepreneur & Founder of "The Lean Startup"

The Startup Way :

- **continuous innovation**
- **startup as an atomic unit of work**
- **the missing function**
- **the second founding**
- **continuous transformation**

Continuous Innovation
Innovation is very simple, because: most ideas are bad, and future is uncertain. But the way we do innovation today is terrible :-)

We have to start small, by a simple realization: They realised that future is not predictable. And starting from this, it can have a big impact on your company.

<u>The Method for finding new breakouts:</u>
Ideas -> Build -> Product -> Measure-> Data -> Learn -> Ideas

We don't know what will happen in the future. We have to do continuous innovations, we can't just plan one big innovation one year in advance!

<u>The pivot</u>
product -> optimization - improve the product by tuning the engine
strategy -< Pivot - a change in strategy to realign with vision
Vision

Startup as an atomic unit of work
To continuously innovate, companies need teams that experiment to find new sources of growth. These internal startups require a distinct organizational structure to support them.

Example: If you present your product to customers, and they keep saying that they don't like it, and he wouldn't buy it: don´t just cancel the meetings! Try to learn something useful, and try to make changes on the product according to the feedback to improve it.
Continuous improvement is crucial to find new sources of growth.

Case Study: There were 25 finance & IT people of a big company in one of Eric's workshop, their plan: 18 months of gathering requirements to build a specification document, to create

a standard system in the next 36 month that works perfectly.

Unfortunately nobody really believed that this would work. Asked for the needs of the customers, there was a kind of irritation: “We don’t have customers, we are IT.
There is a corporate mandate, they have to use what we do.”

He had to change that point of view, and build an internal IT startup inside the company. Productivity was improved, effectivity increased. But: there was no management instance within the organisation to lead this startup.

The Missing Function
Internal startups must be managed in way that confound traditional techniques. Most organisations are missing a core discipline - entrepreneurship - that is just as vital to success as finance or marketing.

There usually are well defined functions inside companies for different business areas, such as CEO, CFO… but we need another function of entrepreneurship for internal startups, because we don’t know in advance in what division a project is going to live.

Problem: How do we make someone accountable for innovation projects when we know that a lot of the work will be a failure?

There are often political stigmata for innovation projects inside companies, because the usual “Make a forecast and hit it!“ is impossible!

The Second Founding
Making these profound changes to an organization is like founding the company all over again, whether it's five or a hundred years old. We have to change how finances are allocated inside the company.

Frequent way, to review projects: ”Stage Gate Methodology”. Red, yellow, green criteria system to review every part of projects. Problem: Every project always seems to have the same state, because the review for every stage is manipulated by the people responsible, to make the project neither too successful nor too unsuccessful so it might be cancelled. So this kind of project review is a bad idea.

Alternative: Metered Funding. Defined teams with fixed money and time ressources, in which a task has to be accomplished. If the project is not finished at the deadline, the project is dead. Most important question in this case: What has to be done exactly, to make this innovation project successful with the greatest possible probability?

Metered Funding
-> Opportunity identified and approved
-> Problem defined. Market sized and validated.Target segment identified.
-> Value proposition tested.
-> Business models constructed.
-> MVPs

Most startups fail because their ideas are bad. His job is not only help startups or transform big companies, but in both cases: Develop a new vision of how a company should work in this century.

We have to work on low levels to change the culture of a company. The startup way:

1. How are people held accountable?
2. Then work on the processes.
3. This will change the culture, and
4. the people working in the company.

Continuous Transformation
The ability to rewrite the organization's DNA in response to new and diverse challenges and doing it again and again.
Put on your mug: Instead of “Failure is not an option” - “I eat failure for breakfast”!

Failure is inevitable, because the future is not predictable, and most ideas are bad :-)

Scaling the agile way: Developing products from customer needs

Subtitle

Lars Giere | Global Head of Financing at eBay (mobile.de)

Business Phases Model:

- Incubation
- P/M-Fit
- Scaling
- Efficiency
- Synergies

The framework is a little bit complicated. Today we focus on two things: Incubation and Scaling.

1.Why Product Company Fit is as important as Product Market fit:

Internal fit is important: the whole world can be your investor if you build a startup outside a company. If you build a startup INSIDE a company, you only have one investor: the company.

You can't grow if you don't find Product /Market fit.
Product market fit is really important because the market always wins.
You need to find the internal fit for what you do.
You really need to take care what company fit means.
Understanding Product/Company Fit is fairly simple. Just talk to your managers.
After that Product/Company fit the way can be hard, because you have to work on your ideas. It needs to be possible to get there. Some of the ideas can't be executed, example: there is a rule inside the company that only business models that reach a margin above 40% are allowed! So you have to focus on these ideas.
Book tip: Steven Bungay "The Art of Action"

2. How your org needs to change over time to create great growth?

Looking deeper we had a phase of declining growth. What happened? We were scaling our organisation heavily, from 10 to 30 people. We had a lot of confusion, because the people were no longer able to talk directly to each other, everything became more complicated. They needed to move from a open to a focussed structure collaboration.

Key Learning: Good growth execution can only happen in a x-functional team that is empowered to work autonomously towards the same goal!

3. Why is empowered and autonomously important?

Because they can think freely and the process gets faster. They can move and iterate more quickly.

Example: Before, all legal questions came to one person -> bottleneck.

4. Why is the same goal important?

Too many people: no alignment on the goals. E.g., Marketing will be focussed on different goals than the other functions (Sessions vs. Leads vs. Sales vs. Revenues). When all are focussed on one goal, they create all for this goal and don´t work against each other.

5. Why x functional?

Before, ideas from a different teams were rejected by other teams. Many ideas were not understood by other departments. In crossfunctional teams ideas are created together, and evaluated together, so they have better chances to get done. Cross Functional teams get all the same ideas and understand each other.

Key Take Aways:

1. **Product / Company Fit is as important as Product/Market Fit (if it`s not your own company)**

2. **Good growth execution can only happen in a x-functional team that is empowered to work autonomously towards the same goal!**

Behavioral science is transforming business. 3 keys to unlocking the power of your growth

Subtitle

Matt Wright | Director of Behavioral Science at WiderFunnel

Question for the audience: What is behavioral science?

Cognitive Bias does not mean behavioral science.

What does it actually mean? It's a method to understand how people think, behave and make decisions.

→ Think of world as behavioral change

Human behavior will stick to the status quo unless one or two things are changed:
-> Promoting + Inhibiting

Amazon is taking on behavioral change → they have some good promoting (low prices, choice,..) → redefined this
Inhibiting (shipping costs): Lets challenge this inhibiting pressure→ remove inhibiting pressure of shipping (started with shipping in less than 6 weeks)
→ Idea: What if we challenge
"loss aversion"

-> How do you get from the current state to the goal state?

Loss Aversion: Loss is weighted higher than a gain
-> combine all the costs together -> Amazon Prime
→ drastically changed this inhibiting pressure
AmazonPrime works on increasing promoting pressure and driving new kind of type of behavior (f.e.. Amazonvideo, Amazonmusic)
=> **Promoting** pressure: Amazon offers free same day delivery.

Played with **implicit pressure**: feeling of being deeply connected with Amazon

How can you apply behavioral science to your business:

Example of an ink manufacturer:
Major pain with ink is the moment when you run out of it! What if you create a new ideal state where you never run out of ink again ?
created experience (subscription model for ink): gave people two choices “do you want to activate it - yes or no? “
Last mile problem: something/product didn’t complete the job “user is left on a cliff”

Behavioral Design:

Back to the ink-exmaple:
Decisions(all decisions are really important), trade offs, & errors in judgement
→ but people didn’t know what it was, didn’t know why it is better than the one they have and people wanted to stay with the status quo
-> this is a huge inhibiting pressure

Choice Architecture & Defaults:

show people the process and created prototypes and solutions

two elements were changed: (1) the choice between two options was removed
(2) 5 different models were offered to the customer
→ changed default

-> You can choose between the Explore Mindset or Exploit Mindset and transfer a business model from **EXPLORE** Portfolio to **EXPLOIT** portfolio

=> New change for the ink - website: communicate how much the customer is saving in each of the variants

Social Proof:
Added total Subscriptions etc.

The ethics of behavioral science:

-> creating behavior is for individuals.
You can either use a “Win lose scenario” or “win win scenario”

The next wave of business value:
moves into the mainstream
→ most research on behavioral science is done in college classrooms

How can you apply behavioral science:

1. Think about status quo (always start from that place and don't assume something will change)
2. Start with the ideal behavior and work backwards (what is the big goal -> start with this goal)
3. Design to change pressures
4. Validate! Validate! Validate! (Tons of opportunity to be wrong or for it to be different)
5. We are all behavioral designers (everybody has the ability to make a difference)

Marketing meets Neuroeconomics - How customer's brain makes decisions

Subtitle

Iva Randelshofer | UX Supervisor at Ubisoft

- **Neuro Economics:** Is a novel discipline. Joined of 3 research areas,
- Neuroscience (Brain Research), Economy (maximizing profits), Psychology (understand the mind)
- NE: Make neuro profitable. Goal is to understand processes that connect sensation and action ..> Bottom line: You receive information in your brain, you make a decision based on this
- **Process of Decision Making:**
  First part of the Brain(Nucleus Accumbens = Pleasure Center)

- Encodes Value, utility and preferences
- all about positive reinforcement
- reacts to gain and value (Apple and Monkey example: When monkey get apple hes happy and something happens in the NA, when he doesnt get an apple, nothing really happens)
NA reacts to Anticipated Rewards because it expects the reward(Online Shopping makes us sometimes more happy to buy it than to actually receiving the object itself)
AMYGDALA
calculates risks and is activated through danger → integrates emotions into decision making
- Costs and benefits: there is a situation/information input and the AMYGDALA calculates risks and produces acceptable and unacceptable solutions
- Framing and Loss Aversion: imagine there is disease outbreak that will kill a lot of people, and you are apart of health commitee and you need to find a solution → When programm A: 200 people will be saved and B: ⅓ probabilty that 300 people will be saved and ⅔ propabilty that no people will be saved → 72% chose the “safe” option A → Phrasing of information is very important → Framing option in terms of saving lives made people risk averse and losing lives made them act risk-seeking.
→ Losses weigh almost twice as much as gains → Important for marketing strategies
- Risk averse behavior: two possibilities: Create urgencys or show limitations
→ Users know about this but it still works → Because when they achieve something the reward system kicks in and the user is happy
- Risk seeking behavior strategy through: Free trials & Loyalty Programs
PREFRONTAL CORTEX OF THE BRAIN(have the last call in decision making)
-is responsible for longterm planning
- Looks at different solution options

- Brain Development:
  - current neuroscientific theorys says that different types of the brain are developed in different times of our life
  - It is responsible for attention and complex planning, risk management and sophisticated decision making, short term memory, logical & organized thinking, impulse control
  → teenagers for example more emotion driven and risk taking
  → risk awareness changes with age
- We get info as sensory input and the NE gets excited the AMYGMA kicks in and thinks about the risks and than the OFC “calm down it will still be worth the price” the DLPFC we can first see and maybe wait for a discount
- TAKE AWAYS:
  - Nucleus Accumbens is your best friend (User gets excited, think rewards and gains of you product)
  - Loss aversion & Framing work but prioritize positive CUX

- Mind the brain development (younger users will make more risky decisions)
→ INVEST IN USER RESEARCH→ Empower user Experience

- Questions: How do you balance the ethics of manipulation: You know the tools and theorys what works and what works and isnt as pleasurable. You have the responsibility of positivity and empowering good user experience → Users are our partners and we want them to come back→ They arent stupid, when you cheat them once they wont come back (bad relationship)

Death by Design

Subtitle

Craig Sullivan | Optimiser in Chief at Optimal Visit

- There are a lot of examples of websites that make it nearly impossible to use it or that produce a significant loss of revenue for the business
    - infinite loop
    - no mobile friendly page
    - cookie note
    - broken websites on specific browsers
    - delivery costs are not shown (Deliveroo)
    - landingpage experience > cognitive overload
    - autofill issues
    - invalid format
    - Broken filters and sorting for 11 months
    - error note too early
    - broken buttons
    - … UX bugs
    - wrong keyboard type
- All of them can be the death of your conversion
- Viewport most important killer on mobile
- if nobody complains this means not that your website / product is perfect
- no bug hunter approach in the companies
- Hierarchy
    - can use it
    - can read it
    - loads quickley

Problems

- higher velocity can mean more software defects

- 95% companies don't test the right devices
- they measure upside but not errors, pains
- they spend more time on shoppers than abandoners (the 98%)
- device experience is a C Level risk to manage

How to solve?

- you need the data
- mining analytics data
- run my 15 minute model
- buy devices for your staff
- start usability testing
- track errors in analytics
- reform call center handling
- immerse yourself in pain
- remove the costly defects