

THE DANGER IN BEING TOO GOOD AT SOMETHING.

Don't get caught in a short-term innovation trap.

By Matthew Singer, President of Egg Strategy

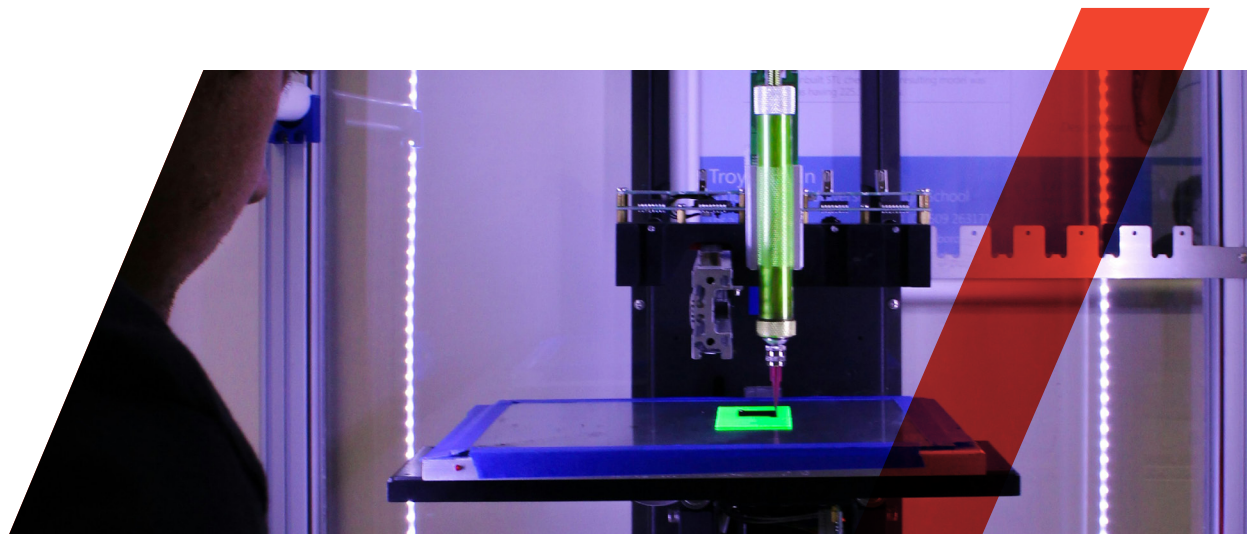


An over-emphasis on short-term performance goals can promote an over-reliance on short-term plays.

Optimizing your products, services, or delivery to the mainstream market to create new news that retains consumer interest and sustains sales dominates a lot of focus and company innovation resources these days. So do pushes to find white space within the category or very close adjacencies capable of generating new occasions or uses within a core audience of brand fans. Occasionally, focus is directed at creating new features, benefits, or benefit bundles with the hopes of bringing stretch consumers into a brand.

But these efforts all tend to sit within a narrow framing of a few innovation types within a few prioritized consumer segments and a time horizon of a year or two. Further, these efforts tend to be aimed at addressing the need to improve quarterly or yearly sales figures to meet performance requirements. This exposes companies to risk of being disrupted by new market entrants who often target a market or consumer audience underserved or overserved by your current offerings with a new business model.

Companies aren't totally naïve to this risk. Working within typical business constraints (e.g., limited personnel, time, and budget), a trend we're seeing emerge is companies trying to stuff innovation briefs with asks to address both short and long-term innovation needs. The challenge is one type of innovation requires a hyper-focused, insights-driven approach, considering current consumers, usage occasions, consumption patterns and satisfaction gaps. While the other requires taking a step back to build a big picture view of potential challenges and future opportunities driven by culture, trends, regulatory bodies, politics, emerging technologies, distribution networks, etc. to build a framework that prepares them for inevitable changes impacting their industry. In other words, short-term innovation is driven by capitalizing on micro-opportunities while long-term innovation is driven by macro-opportunities.



Propagating the use of buzzwords in innovation increases barriers to proper long-term planning.

Confusion over nomenclature further confuses the issue. We hear stuff like this all the time:

“We’ve need to infuse this year’s pipeline with ideas that are disruptive and will really help us break through. We also need a few longer-term, game-changers that are transformational for next year.”

Where to start with an ask like this? The first thing we do is try to interpret the way a client defines the terminology they’re using in their brief. Do these words mean different things to you when it comes to innovation?

- / Disruptive
- / Breakthrough
- / Transformational
- / Game-changing

When these terms appear in what are believed to be inherently short-term briefs or tossed into conversation (which they often are), our collaborations have helped us to understand that clients are generally asking for:

- / Out of the box thinking
- / Ambitious or audacious ideas that are courageous vs. conservative
- / Solutions that could really shake things up and make waves in the marketplace or marketing
- / Offerings or ideas that challenge the norm, disrupt the status quo
- / Radically new or newsworthy ideas

As specialists at driving distinction, especially in commodity categories where brand differentiation is challenging, we get it. New ideas must be notable and noteworthy to garner consumer interest and keep retailers interested in your offerings. The bar has risen with our clients’ retail partners, and giving consumers just another option to swap into a stable routine doesn’t move the needle. You must prove your ability to grow retailer sales to earn your spot on the shelf or maintain your shelf space against a steady stream of new entrants. This means winning the moment of truth with new ideas that elevate above the functional and really break through the clutter in the category. But this is different than breakthrough innovation.

Putting a proper spotlight on longer-term innovation concepts.

Just because an idea can't be produced within the company's current infrastructure and the commercialization timeline may take longer than a year, this isn't necessarily longer-term innovation. If you look at how the academics and experienced practitioners define longer-term innovation concepts like "disruptive," "breakthrough," and "transformational," there are distinguishing features worth noting that may prompt you view innovation through a different lens and shape some of your innovation asks differently. So, let's explore a few!

Are there some overlaps across the following ideas? Sure. In fact, it's not uncommon to see individuals using word like "disruptive" or "transformational" interchangeably. But by focusing on elements that can make these types of long-term innovation examples unique, you can expand your toolkit to move beyond incremental innovation to tackle new targets, address new customer needs and even create entirely new markets. After all, these types of leaps may be required to ensure your business remains a growing concern when you take the time to really consider what the future may hold!

SPOTLIGHT ON DISRUPTIVE INNOVATION

When defined by thought leaders, disruptive innovation is recognized by entrepreneurs breaking into new markets (usually the lower end of the market) and creating business models that are different from existing markets. To be disruptive, the innovation must modify a behavior and be accessible to most of the population. Disruption occurs as the product or service moves from the fringe, and sales volumes increase in conjunction with mainstream customers increasing their adoption. The intentional initial focus on customers beyond the core is perhaps central to focus with this type of innovation, and that's not where a lot of companies prioritize their resources.

These types of low-end disruptors tend to come in at the bottom of the market and target customers with streamlined offerings that are good enough and provide offerings of greater perceived value for over-served customers who don't want or need to pay a premium for enhanced features. The Ford Maverick was a sales success, leaving little doubt that bigger and more expensive isn't always better in the world of pickups.

New market disruptors also prove that it can be good business to compete against non-consumption or target underserved customers even in low-margin areas of the marketplace. For example, Robinhood democratized access to investment by offering not just commission-free trades, but also breaking down barriers such as minimum account balances and enabling the purchase of fractional shares so those who wanted to get in on trading with limited funds could still gain access to high-flying stocks. The growth of Walmart Health is capitalizing the geographic placement of its stores in underserved communities as Walmart expands its offering by providing quality, affordable health and wellness services in neighborhoods and customer segments that otherwise couldn't access or actively avoid seeking health care even in emergent situations.



SPOTLIGHT ON BREAKTHROUGH INNOVATION

If disruptive innovation is used to break into existing markets (usually at the lower end) perhaps the best way to think about breakthrough innovation is a radically new approach that is either category-defining (meaning it manifests in revolutionary new products or offerings that reshape expectations and demand) or category-creating (meaning it spurs the launch of a product, service, experience or business model that has never been seen before).

The creation or application of new technology within an existing business model can lead to breakthrough that redefines categories or captures true white space. For example, embedding biometric sensor technology in smartphones enabled the launch and expansion of secure personal, payment systems like Apple Pay and Google Pay. Moderna's ability to design and implement an mRNA approach to vaccine development during COVID enabled it to bring an idea to life quickly to capitalize on rapidly changing marketplace. Dyson leveraged its unique cyclonic technology to improve suction power/performance, simplify equipment maintenance and bring cool design/aesthetics to the world of vacuum cleaners, and has continued to use unique technology to redefine the experience in many home care and personal care categories.

Utilizing existing technology in new ways to create new business models or leveraging groundbreaking technology to open a company up to new markets also tends to fall under the umbrella of breakthrough. Zipcar provided members 24/7, on-demand access and seamless reservations through the use of a Bluetooth enabled app that changed the way customers viewed and used rental cars. 3-D printing itself was breakthrough and continues to fuel breakthroughs as its use expands well beyond prototyping into production-grade applications in aerospace, healthcare, automotive and others. Finally, CALA's digital platform unifies design, development, production, and logistics making it faster and cheaper to launch a major fashion label even if you're an independent.

SPOTLIGHT ON TRANSFORMATIONAL INNOVATION

As we continue our exploration of innovation types, transformational brings additional dimensions to consider. Transformational innovation tends to be associated with the creation of an entirely new way of doing things that creates significant and lasting change. With transformational, the new reality becomes fundamentally incompatible with the old way of doing things such that there's a paradigm shift. Such changes tend to be seismic in nature – affecting large segments of consumers or society at large and having aftershocks that drive additional innovation and positive change in closely-related categories.

True transformational innovation is more rare than other types we've discussed because it tends to be associated with eliminating existing industries or totally transforming the way markets act. The creation of the Internet of Things changed everything, interconnected everyone, and has driven unprecedented innovations in connected devices, transformed the way we connect, share and communicate as individuals, created efficiencies in business operations and data processing and spurred the launch of countless new industries. Blockchain is also producing transformative change by enabling decentralization of transactions, creating transparency and the ability track or audit, and it's reshaping the way businesses and supply chains operate even if trust in digital currency built off of blockchain is still being widely debated.

Examples of transformational innovation are easier to identify using a historical view. However, as we experience the world today, it's interesting and valuable to interrogate whether innovations that may be on the verge of widespread adoption today will create a dependence that solidifies lasting change. The list of companies and industries experimenting with embedded insurance is not short (Rivan + Nationwide's partnership being a notable example), but interest in embedded relationships in automotive expands well beyond insurance and could one day include a network of services including payments, maintenance, enablement of environmental features and even entertainment offerings. Time will tell whether doing business this way will transform the meaning of ownership, leasing or renting a car, but that's the point. Without dedication, iteration and commitment to continuous learning this type of lasting change rarely succeeds.



SPOTLIGHT ON GAME-CHANGING INNOVATION

Digging into the use of “game-changing” to define innovation tends to surface several overlaps with definitions of other types in that it has a substantial effect on what we can do or accomplish, embraces a new approach that opens additional opportunities and can make old ways of working obsolete. Perhaps the most useful way to carve out what makes game-changing innovation unique is that it allows you to do something entirely new or makes something work an order of magnitude better, often through some sort of automation.

These days AI is changing the game in a lot of industries. The manual parts of doing payroll, data analysis, consulting, or lab testing are becoming automated. Going further, Watson is now also being used to help treat lung cancer by recognizing patterns in medical data leading to early detection, evaluating eligibility criteria for novel trials, predicting risk associated with using individual therapies on specific patient types, etc. Reports around driverless cabs being tested, and news reports about drone food delivery and robot-run restaurants are increasing in frequency. AI is everywhere it seems, and it is becoming a brave new world in many categories as proactive companies are looking to incorporate AI to change the game. Eventually, others will be dragged into the mix as they endeavor not to be a casualty of the steady beat of tech-enabled progress. So why not get ahead of the game?

In conclusion...

The world is spinning fast, and markets are changing with increased speed. In response to this pressure, longer-term innovation planning has become too short-term in the way it’s being discussed and deployed in some companies. Different industries and markets will be affected by the forces of change differently. But to properly prepare for change, companies must embrace structured, continuous efforts aimed at business innovation and reinvention.

Identifying and leveraging nuance in the types and terminology of innovation is a critical part of this preparation. No one is debating the value of defending your turf or extending your lead though short-term initiatives, but you must also find ways to extend your gaze beyond the next sales performance reporting phase.

Without dedicated strategies to monitor the impact of megatrends, get in front of cultural shifts, future-proof for economic and political risk, etc., your business and future profits are at risk. Failure to identify the next generation of technological advances on the horizon and develop insight around how they may create value for your stakeholders leaves you in a reactive position where you may give up your market position.



Planning for Disruption @ Egg.

If you want to take those critical first steps or re-boot your readiness preparation, we're ready to help you with foundational future-state planning. Trying to play catch-up in a crisis makes it almost impossible to catch your breath. If you wait to invest in innovation until your profits are shrinking you're too late and you won't be able to afford a pursuit. But you can breathe a little easier and open yourself up to a world of possibilities by adequately preparing to pursue what's next.

In our Planning for Disruption Workshop our innovation experts will help you bring into focus potential disruptors today so that you can embark on future-state planning that will enable you to get to where the profits are going to be tomorrow.



We take a planful approach to:

- / **Defining advancements, risks and shifts** across key corridors that have the potential to impact your future operations.
- / **Identifying the implications** of potential disruptors to your industry and your business.
- / **Aligning on priorities**, what do you need to start addressing now? What should you watch for next?

We move beyond the narrow focus and range of participants in a standard ideation session by rooting this cross-functional initiative in a big picture view of how the future will work and what you intend to do about it. Are you going to remain a leader, better prepare your organization to be a fast-follower or cede your position to those who have adequately prepared to get in front fundamental changes? If you don't want to be left behind or would like to learn more about Egg Strategy, and how we can support your business goals, please get in touch.

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