Successful Product Innovation

Superior customer insight and technology based product development are the key success factors for breakthrough product innovation. Companies can adopt a structured framework to identify pockets of opportunity and use outsourced product development to drive breakthrough innovation says Pankaj Gupta, Practice Head - Consumer & Retail of Tata Strategic Management Group.

Types of Breakthrough Product Innovation

Breakthrough product innovation can be classified into two broad categories:
1. Products that address un-served customer needs. These could be current needs of the customer or emerging needs in the future. Apple’s products are a good example of this type of innovation globally. In India, dual sim phones from Micromax is an example of this approach.
2. Products that change the existing price-value equation in the market addressing un-served customer segments. GE’s Healthcare products profiled later in this article and the Tata Nano are examples of this type of innovation.

Examples of Breakthrough Innovation

Apple is an excellent example of a company that has seen a dramatic turnaround in fortunes in the last decade, riding on product innovations with global scale. The i-Pod, i-Phone and more recently the i-Pad are examples of some of the new products that Apple has introduced. A mapping of spikes in its market valuation over the years shows a clear correlation with its product launches.

GE Healthcare has introduced several new products in the last decade. The MAC 400 is a portable low-cost ECG machine introduced in 2008 to address the rural population in India who cannot afford expensive health care. The machine was priced at a third of the price of comparable imported ECG systems. It was battery operated, easy to use and addressed the shortages of power and trained healthcare professionals in many parts of India. The improved version of MAC 400 was launched, in 2009, in the U.S. as MAC 800. Similarly in 2002, GE China launched its first compact ultrasound, which combined a regular laptop computer with sophisticated software for $30000. In 2007, GE introduced a newer model priced at $15000, less than 15% of the cost of the GE’s high end ultrasound machines. Though the performance of portable machine was not comparable to the high end one, the portable ultrasound is widely used by doctors in rural areas for simpler applications. This innovation has also generated dramatic growth in developed markets by pioneering new applications such as accident sites, emergency rooms etc.

Innovation has examples in the Indian market as well. Micromax, the 3rd largest mobile handset company in India, has reached the position in a relatively short time. Long battery life phones relevant to rural areas with poor technology for product development could be through an in-house source or accessed from outsourced service providers. Many breakthrough innovations are not based on fundamentally new technologies but are an outcome of new ways of combining technology e.g. Apple’s i-Phone.
Framework for Innovation

Tata Strategic Management Group has developed a four step structured framework (Fig 2 : INNOGROWTH™) that Companies can adopt for developing their innovation led entry/ growth strategy.

Step 1 of this approach starts with an in-depth category understanding covering current category size, future growth drivers, segmental trends on technology and consumer preferences, the key competitors and their market shares.

In Step 2, this understanding is deepened to identify new pockets of opportunity for companies (concepts). Existing price-features-benefit matrix in the market, unoccupied positioning planks / planks occupied by minor players, megatrends likely to impact the Indian market in the medium term and underserved needs/pain points of the Indian consumer are combined to create concepts. Next key characteristics for each concept like target consumer segment, value proposition, basis of differentiation are outlined.

Step 3 is aimed at optimizing innovation within the limited resources available to the company. The concepts are prioritized based on factors like their brand affinity, proof of concept, technology access, commonality of target consumer segment, distribution overlap and expected future competition. Consumer validation of the filtered concepts forms an important basis to estimate the likelihood of success of these opportunities.

In Step 4, prioritized concepts are then developed further to create the innovation based entry/growth plan for the company.

In Conclusion

The product innovation framework provides a robust methodology for companies to deploy a systematic process to develop their innovation strategy enabling them to simultaneously differentiate from local competition and fight the large global players. Superior customer insight provides the "big-idea" and networks of outsourced service providers help overcome in-house R&D capability limitations. Breakthrough innovation is the only sustainable route for rapid profitable growth allowing a company to compete in a profitable blue-ocean.

About Tata Strategic:

Tata Strategic Management Group is the largest Indian Owned Management Consulting Firm. Set up in 1991, Tata Strategic has completed over 500 engagements with more than 100 Clients across countries and industry sectors, addressing the business concerns of the top management. Today more than half the revenue of Tata Strategic Management Group comes from working with companies outside the Tata Group. We enhance client value by providing creative strategy advice, developing innovative solutions and partnering effective implementation.

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- Market insights : B2B, Urban, Rural
- Competitive Strategy
- Growth/Business Plans

Drive Strategic Initiatives

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- Performance Management & Rewards
- Capability Assessment
- Talent Management
- Governance for family businesses
- Delegation & MIS

Support Implementation

- Program Management
- Relfinements/Course Corrections

Strategy

Organization Effectiveness
- Customer Segmentation
- Product Innovation
- Market Share
- Route-to-Market
- Brand Strategy
- Structured Sales & Distribution
- Marketing Upgradation

Marketing
- Manufacturing Strategy
- Service levels
- Managing Complexity
- Logistics & Supply Chain
- Throughput enhancement
- Capital Productivity
- Strategic sourcing
- Project Time Compression

Operations

About the Author:

Pankaj Gupta is the Practice Head of the Consumer & Retail practice at Tata Strategic Management Group. He has over 15 years experience in industry and consulting. His areas of specialization include Entry, Growth and Turnaround Strategy Formulation and Performance Improvement in the Retail, FMCG and Consumer Durables sectors. Pankaj has led numerous assignments with clients in India, Sri Lanka and Saudi Arabia. He has played a pivotal role in the establishment of Infiniti Retail Ltd.