

Innovation Dimensions

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1. Introduction

One of the common limiting factors that we come across as we work with new clients is the inability to see innovation as a spectrum of activities rather than as work along single dimensions that is frequently carried out in isolation. The end effect of the latter is to produce simplistic innovations that are all too easily copied, adopted and improved upon by voracious competitors.

The aim of corporations should be to create innovations that give them a sizeable and lasting competitive advantage over the others in their industry. That advantage is only ever created through the creation and development of more complex innovations that embrace more than a single dimension of innovation – i.e. more than just a new design, a new package, or a new marketing technique. To achieve this, and to maximize the market impact of an innovation, each opportunity should be “expanded” along several different innovation dimensions to create something that is harder for the competition to copy and attack. The more dimensions you expand on, the more defensible the overall innovation is likely to be.

To help you with this endeavor, Imaginatik Research has identified 20 distinct dimensions along which you may want to innovate. We have grouped these dimensions into four **Innovation Quadrants**, which define where innovations most commonly occur within the corporate framework. These are categorized as **Internal Innovation, External Innovation, Delivery Innovation, and Innovation Strategies**.

The ‘Innovation Dimensions’ Model can be applied in two distinct ways. First, it can be used to highlight types of innovation that may have not been formerly considered as ways of applying innovation within an organization. For example, manufacturers that are looking to differentiate themselves in an increasingly competitive market are regularly venturing into Design Innovation but ignore the breadth of other opportunities that exist to achieve this goal.

Secondly, an opportunity can be expanded along one or more of these particular dimensions in a measurable manner. For this purpose, it can be benchmarked against a company’s or a competitor’s previous performance along a particular dimension. For example, during a product launch, a company could aim to improve its innovation score across various innovation dimensions compared to a previously observed campaign. This can be visualized through the use of a radar chart, comparing how a product would be scored against others through the various dimensions (see Figure 1).

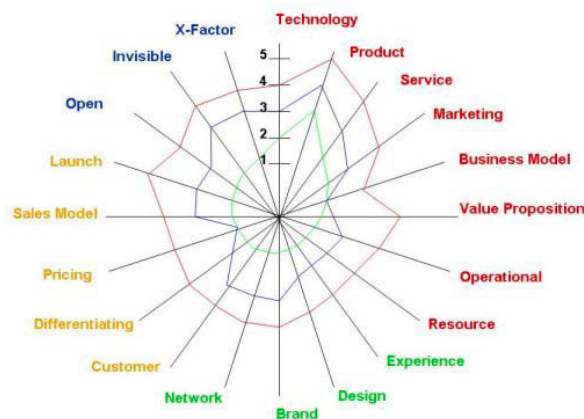


Figure 1 – The ‘Innovation Dimensions’ Model (Source: Imaginatik Research, 2006)

2. The Innovation Dimensions

This radar chart (Figure 1) highlights the 20 distinct dimensions (not including sub-dimensions) that we have identified at Imaginatik Research based on work with over 300 companies during the past 12 years.

2.1 Internal Innovation Dimensions

The dimensions for Internal Innovation types are defined as follows:

Core Technology Innovation – This is the innovation of underlying components that constitute a product or service, such as batteries in cell-phones, molecular structures in medicines or communication networks for telesales providers.

Product Innovation – This refers to the manifestation of a manufactured good that a customer buys, how it is changed and improved.

Service Innovation – Service Innovation is achieved by adding or changing the service levels a customer gets or expects from a particular offering.

Marketing Innovation – This type of innovation is centered around the channels within which a company markets its offerings including the marketing messages used, the market research methods adopted, as well as the innovation techniques that can be applied in these areas.

Business Model Innovation – This innovation looks at changing the core model that the company follows to make money. For example, Dell has reworked the PC industry model to produce computers on demand and online as opposed to the traditional model of producing in bulk and via retail, which exposes manufacturers to a lot of the risk associated with declining prices due to Moore's Law.

Value Proposition Innovation – This type of innovation identifies ways of adding implied or actual value to the customer's perception of a product. Many companies today have products that have become commoditized and therefore have commodity-style margins. Rather than accepting this shift towards commodities, the best companies in the world have been challenging that assumption. This has been achieved by looking for ways to add some kind of additional value to the base product to differentiate it from the competition and thus justify a higher price point or trigger an increased volume of sales by being the preferred purchase.

Operational Efficiency Innovation – Innovating around the internal processes that are used to actually run the company has the scope for significant cost reductions. This can include improvements in Information Technology (IT) systems, order handling, and information flows within the organization. The additional efficiency allows a company to either make higher margins, or to offer lower pricing than competitors for competitive gain.

Resource/Asset Utilization Innovation – This type of innovation was especially prevalent within European companies in the early 2000s with their drive for greater profitability. It has led to such companies sweating their assets, by becoming more aware of what resources they have and deliberately making the best use of them by working harder and smarter.

2.2 External Innovation Dimensions

The dimensions for External Innovation types are defined as follows:

Experience Innovation – This type of innovation can be achieved by adding, changing, or enhancing a customer’s experience with your product, brand or company. Typically this involves taking a close look at how the user actually interacts with your product and finding ways to enhance the processes involved.

Design Innovation – Design Innovation can be described as the addition of aesthetic and/or ergonomic appeal to a product above its simple functionality. For example, Apple under the guidance of Steve Jobs has consistently applied new and novel designs to existing technology to achieve a competitive presence in the marketplace. PCs, MP3 players, even portable video players à la VideoPod, all existed prior to Apple releasing their own version. Although this is by no means the only reason that iPods and the like are so popular (Marketing Innovation, Brand Innovation, and Experience Innovation are also frequently used, to name but a few of the other dimensions Apple regularly deploy) – the iconic design and form functionality that the company has bestowed on the products has given them the edge over competitors’ offerings that have, arguably, better technology.

Brand Innovation – This type of innovation examines the different ways a product or service can be conveyed through a name or logo. These efforts go beyond standard branding, and exploit the potential for strong interaction with other innovation dimensions, mainly those of Design and Experience Innovations, to enhance the overall impact and success in the marketplace. By combining these innovation dimensions, the perceived desirability and value of a brand can be increased significantly.

Network Innovation – Network Innovation covers innovation within the value chain for a particular product or for the company as a whole. In other words, it encompasses all the parties that enable a company to function, or a product to be made: suppliers, business partners, business alliances, employees, customers (both primary and indirect) and so on. For example, you might look at restructuring a reseller network to provide greater worldwide coverage for your product, or you might decide on an innovative joint venture with a non-competing supplier to solve a joint problem for mutual profitability.

2.3 Delivery Innovation Dimensions

The dimensions for Delivery Innovation types are defined as follows:

Customer Innovation – This type of innovation looks at potential ways to expand or change the traditional customer base for a particular product or company. WR Grace created an additional multi-million dollar market when they realized they could sell the same waterproof sheeting used to waterproof homes to an entirely new market – waterproofing boats!

Differentiating Innovation – This type of innovation rests on challenging the differentiating factors that an industry typically competes on. Most industries have a common set of competing factors along which all companies position themselves. The airline industry for example is usually competing on price and scheduling. However, what if a company decided to challenge those factors and instead tried to compete using something totally different? Virgin and Southwest Airlines are good examples of companies that have challenged the

status quo of their industry – as Apple did when it released the very first colorful iMac into the PC market at a time when all computers were typically dressed in black, white, or beige.

Pricing Innovation – Pricing Innovation examines how new pricing models can be applied to secure stronger and longer-term revenue streams for a company. Cell phone companies are particularly active in this area, constantly changing pricing models to appear cheaper to the average consumer, whilst at the same time trying to increase profitability in their target markets.

Sales Model Innovation – This type of innovation looks at adjusting the sales methods used by the company. For example, you might change from using a direct sales force to a looser network of resellers to expand your geographical reach without incurring a large base cost, or you might decide to sell direct to customers and forgo a retail presence in order to offer lower costs and increase margins.

Launch Innovation – Launch Innovation covers the development of new methods and processes for commercializing and launching a new product or service. Note that the situation of a launch process is not limited to new customer offerings. Innovation in this area can also be applied to launching internal programs. For example, Bristol-Myers Squibb's "War on Diabetes" project introduced a range of diabetes products and management tools that help improve the quality of life for diabetes patients, and achieved one of the fastest conversion rates for a patented drug in the history of the pharmaceutical industry, due to launch innovation.

2.4 Innovation Strategies

The fourth quadrant covers the following Innovation Strategies: Open Innovation, Invisible Innovation, and X-factor Innovation.

Open Innovation – This innovation strategy is a concept that turns the traditional closed model for innovation on its head and states that companies cannot rely entirely on their own R&D resources. Instead companies should look to source ideas and technologies from other companies via licensing or buying patents. In addition, internal ideas that are not being used by a company should be marketed and made available externally through routes such as licensing, joint ventures, spin-offs, etc., in order to unlock the economic value of a company's unexploited ideas and technologies.

In defining the concept of **Invisible Innovation** it is useful to firstly examine what can be termed Visible and Guessable Innovations. **Visible Innovation** is based on the premise that most products that exist in the market can be copied. For example, if a brand new MP3 player enters the market, it can be opened up and examined to see how it was made and where the pieces come from. Visible Innovation, therefore, is inherently something that can be copied, and thus represents a form of innovation that can be protected only to a limited extent (patents aside).

The next level on this scale is what we have termed **Guessable Innovation**. Concerning an advanced product, an organization that has industrial expert knowledge may not be able to detect Guessable Innovation directly, but it can make an educated guess on what it cannot see. For example, experts will be able to pinpoint a new type of chip as the main innovation inside an improved device. They may not be able to tell who manufactured this component; however, they could probably work out who it is, because there are only four manufacturers in the world who produce such components.

Invisible Innovation on the other hand is the kind of innovation that gives a company a true competitive advantage. A competing company even with expert knowledge cannot determine how the offering has been put together, and often does not even know which element is important. This allows companies to bring offerings to market that are unique. On the surface they may appear easy to copy, but in fact they cannot be replicated to the extent that a competitor could make any sizeable form of return from its duplication.

Finally, we add **X-factor Innovation**, which has been introduced to include those aspects that are not covered by the other dimensions and strategies. X-Factor innovation is typically a unique combination of the other innovation types – or even the identification and exploitation of an entirely new innovation type to disrupt and change the market.

3. Conclusion

In summary, the 'Innovation Dimensions' Model provides valuable insights and can be used as a checklist as well as a benchmarking tool. It is applicable across the various innovation dimensions that we have developed, and will prove to be an important tool for innovation practitioners charged with taking innovation forward in companies around the world. The most powerful way to use this model is to ask yourself if you are truly expanding your innovations along as many of these axes as possible to create the best, most defensible innovations that will deliver a more lasting and effective competitive advantage for your company.