

Delivering real growth through innovation

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Today, with the bottom line tightly under control, CEOs are being asked for their *top line* growth strategies. The question of how to fill the empty innovation pipelines is echoing down the corridors, often through marketing departments short on experience and expertise.

What some producers are now realising first and foremost (including CEOs with no marketing heritage) is that they have lost touch with their consumers. The consequence is that there is now an obsessive return to developing 'consumer insight'. This realisation and the consequent redress is welcome but carries attendant dangers of obscuring all other requirements with a lemming-like rush to the innovation cliff.

The innovation equation

Real innovation is not just about a great idea or a great insight. Effective and commercially successful innovation is about solving the complex problem of reconciling:

$$\begin{array}{c}
 \text{The new consumer opportunity} \\
 + \\
 \text{What producers can deliver} \\
 \text{(practically, financially, culturally)} \\
 + \\
 \text{What is going on in the market-place} \\
 + \\
 \text{Actual and potential activity} \\
 \text{of competitors and the trade} \\
 = \\
 \text{Effective innovation}
 \end{array}$$

Get 90% of this equation right but 10% wrong and that 10% will easily constitute a reason why the product will fail. Producers will need to recognise that innovation is as much about perspiration as inspiration.

Also, companies will need to recruit the best marketing talent to work in innovation teams alongside their R&D departments: developing the new is infinitely more demanding than running the extant. Separation of innovation activity from day-to-day marketing is necessary for two reasons: the lead times and judgement criteria are different. Critically, however, the problems of today's business will always take precedence over developing the future. Innovation directors will need to be appointed to the board.

Flexibility and responsiveness

Service brands are leading the way in sensitivity towards consumers. Branded manufacturers must behave as flexible brand owners – responding to consumer demand rather than the primary manufacturing requirement to run lines to capacity – if they are to succeed.

Witness today the high street coffee outlet competing with the fmcg manufacturer to deliver the height of indulgence; or the breakdown recovery service competing with the energy supplier to insure the contents of your home. Companies have to tear up the sector rulebook and ask where they can leverage their advantages, thinking consumer first, asset second.

Harness the business to the consumer not the shareholder. Remove the share price ticker from reception in corporate head office and replace it with headlines from your latest conversations with consumers. It is your success in understanding a changing market that will determine analysts' future perspectives of your company.

Predictions for the future

The areas where we will see strongest innovation will be those where there is currently stagnation or chooser frustration. Some predictions:

– Mind

The pressure on the education system to deliver will demand more radical solutions.

Tension: Education is a cause of major concern for most parents. And because job markets are changing so fast many adults will need to re-educate themselves as they face two or three career changes in their working lives. Who can you trust? Auntie?

Prediction: The BBC will run a new generation of schools and adult education courses, sub-contracted by education authorities, majoring on Auntie's core attributes of excellence in the spoken and written word, science, technology, sports, drama and its commitment to lifelong learning. After all, the BBC invented the Open University.

– Body

We are increasingly fixated with improving on nature. Body enhancement and maintenance will be a huge growth area. Oral care is one to watch as it has lagged behind skin and hair care.

Tension: Research has shown that many people value their teeth more than their hair, but there is little to choose from between the current oral care offers of taste and protection. Remember when choices in shampoo were limited to greasy, dry or dandruff?

Prediction: Oral care will take on the same level of added value as have shampoo, toiletries and cosmetics over the past twenty-five years. Branded products and services will promote beauty and well-being in the mouth, with conditioners, washes, vitamins and restorative treatments. Watch out for L'Oreal and Pantene.

– Soul mate

Today, one in five single people are finding mates through dating agencies, including the current fad for speed dating (see speedater.com).

Tension: The demand for long-term partner finding services is increasing as our lifestyles preclude the traditional means of meeting people through local communities.

Prediction: Brands will prosper in this area through providing the type of communities where people can meet, through physical and on-line environments. The major lifestyle brands will expand to fill this space; watch Virgin and Saga.

In conclusion

In today's corporate environment it is much sexier to be seen as the hare, racing ahead with assured claims of victory. The reality is that sustainable top-line growth comes from serious, long-term investment in innovation.

Chris Wood is Chief Executive of brand, design and communications consultancy Corporate Edge, with over 25 years experience innovating for some of Britain's leading brand owners.