

Video Transcript

Innovation Process by Kuczmarski Innovation

The innovation process in my view has to be both systematic as well as predictable, predictable in terms of setting the expectation that when a cross-functional team of people activate this innovation process what should result is a portfolio of disruptive, of incremental, of breakthrough, of different types of products services and business models that can serve and address the innovation goal and strategy that's now already been set.

What's this process look like? The first step of the process is not idea generation, the first step of the process is doing market research, going out into the marketplace, and I think it's important to do it in person because I call it ethnographic research it's going out and talking to people whether it's B2B customers or B2C consumers in the context of the category in which you're trying to conduct the research, it's going to their homes, it's going to their offices, it's going to a B2B plant, it's going to places where people work and live. In that context you get a much better understanding of what people's behaviors really are. In addition, however, I think doing qualitative research in focus groups, one-on-ones, in-person interviews, phone interviews, can be a really important piece of this overall first step of the innovation process. What do we want to try to get out of that? We want to try to get a prioritized set of needs or opportunities. What are our customers or consumers biggest desires, biggest worries, biggest problems? Don't have any answers yet? If we're able to understand which of those have the highest need intensity then we've got a much better shot or much better capability coming up with high-powered solutions that address those needs, and we'd probably be able to capture value for ourselves. That's really the first step of the process.

The second step is solution generation. What we're trying to do is bring teams of people together and conduct idea generation sessions but sessions that are geared towards solving the problems and address the needs of the wants and desires that we identified in that qualitative research step. If we go and have four or five of these sessions with perhaps ten people in each session we should be able to generate at least 100 or maybe even 200 different ideas. Then the hard part comes in screening those 200 ideas down to probably around 15 or 20. Next, we'll convert those into concept boards that really begin to describe the name, the value proposition potential, price ranges, but really, it's about enabling us to talk about each one of those concepts in a way with customers or consumers that will enable us to get feedback from them. That feedback we then use to reshape the concepts. We may change some things, we may increase take away, but that's the step that enables us to really increase the value proposition of whatever that new innovation might be then we're ready for the next step which is business case development.

We have got to figure out how we're going to make money. How are we going to monetize this innovation in the best way that both matches the price point expectations of the consumer or customer with our internal screening criteria or margin expectations for an innovation of this type. It's hard to put together a business case because for each new concept you have to create a revenue stream, cost expectations, and at least be able to get to a gross profit margin on

every new innovation, along with how much capital is going to be required to be invested and what return are you expecting to gain from it. After business cases have been developed senior management can then look at those 10 or 15 opportunities and say let's start working on the prototype development for these five or six but it's important to continue to push a portfolio of different types of innovations through this innovation process.

The next step is really scale up. How do we now take this prototype, take this new service idea, take this new app, take this new technological product that we've created, and now get it launched into the marketplace? That's going to take a go-to-market strategy, a production plan, and a communication strategy that enables us to spend the money in the right way to build awareness and stimulate trial for this new innovation.

The last step is launch, but I don't think that's the end of the process because I think for a good 6 to 12 months after a new product or service has been launched it still has to be viewed as part of the innovation process. It still needs to have a lot of nurturing and changes that are being made to it. A team that uses this type of a systematic process, here is what I think they can expect to get: for every 10 new products or services that are launched in the marketplace a company that really has the right mindset and strategy and culture and leadership and uses this process should be able to achieve roughly a 60 percent success rate, now that means that 40 percent of those ten won't make it, won't succeed, but that's part of the innovation process. Teams need to accept the fact that we want to have a portfolio that has a high enough level of risk that can generate a high level of return. So, the innovation process in short is a systematic approach to getting commercialized products services and businesses into the marketplace.