

## Nielsen Featured Insights Delivering consumer clarity

### Nielsen Innovation Series

# Is Your Innovation Process Letting You Down?



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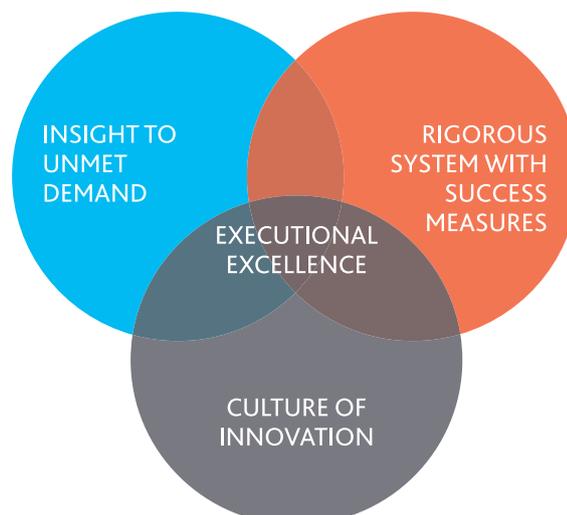
- Companies need to have a macro view and look across categories while innovating
- Demand-led innovations have a better chance of success in today's markets
- Practice 'full-contact Innovation' to harness feedback at every stage of the innovation process

*"If we had asked people what they wanted, they would have said faster horses." - Henry Ford*

Most accomplished business leaders would agree that developing the next big thing is a surefire way to drive shareholder value. Innovations allow businesses to reach new consumers and gain relevance in newer markets. Innovative organizations are not only valued by the markets, they invariably attract the best talent and supply chains. Yet most businesses struggle to stand out as innovators. In fact, more new products fail than succeed within one year after launch.

Businesses that have failed to deliver successful innovations weren't successful in focusing on what matters most—the innovation process. If your innovation process can't keep up, then how will your business? An organization is only as innovative as its end-to-end innovation process. Staying the course during the process is critical, so here are a few strategies to consider that will clear your path and keep you on track: expand your view, focus on demand, and follow through.

### Winning on Innovation



## Think Bigger, Broader

Most companies aren't in a position to deliver breakthrough innovations because they have a restricted view at the top. Typically, companies evaluate ideas by weighing their viability and financial potential against a primary intended purpose. When they do this, they often focus on how the initiative will perform within the confines of its intended category. Early on in the process, however, is a perfect time to look across categories and define your universe more broadly—intentionally extending into adjacent categories and complementary industries.

The real key to innovation is to not restrict your ideas to your company's current market or product categories. A better approach uses a broader lens to address consumer needs more authentically giving you far more potential for incremental revenue. If you think big and wide early on and stay focused on the expressed or latent needs of your consumer, you'll be much better positioned for success. Britannia's *50-50 Snacks* and Marico's *Parachute Advanced Body Lotion* are recent examples of how thinking broad early in the process can help open new doors.

## Focus on Demand

Focusing on supply-side factors like availability and price was a fairly standard approach to innovation during much of the 20th century. Organizations with agile supply chains could milk their innovations and capture high market share with relative ease. This approach worked well for global brands like Wal-Mart and Coca Cola, as well as for Indian brands like Amul and Parle. In the new millennium, however, many supply-chain advantages are dissipating.

Without the benefit of a supply-side advantage, organizations must be more focused on demand than ever before. A demand-led approach embraces the holistic value of convenience, total experience and emotional gratification. It acknowledges that consumers don't buy brands—they pull them into their lives to perform jobs. And because of this, demand-led innovations have a much better chance of succeeding in the new market because they address consumer needs arising from poorly addressed jobs that other brands have failed to meet. Given the nature of the demand-based approach, however, success relies heavily on a visceral understanding of the consumer, and true breakthroughs fulfill the latent needs of your most profitable consumer demand pools. Some recent examples of demand-led innovation in India include Cadbury's *Bourneville* chocolate and Dettol's *No-Touch* hand washing system.

## Encourage Full-Contact Innovation

We're in an age of full-contact innovation—one that relies on input from your suppliers, customers, channel partners and sales teams. Gone are the days when innovation came alive within four walls. Full-contact innovation involves building an eco- system and then leveraging that community to feed back at every stage. It also means soliciting input from internal stakeholders to strengthen the proposition before development. Instead of a mindset of sequential approvals from different teams, organizations can be better served by bringing together their best thinkers across teams at once to think through all relevant aspects of the innovation. Joint evaluation facilitates a healthy level of tension, but it also ensures that all stakeholders are aligned before the process requires any big investments of time or resources. Today, many of these evaluations happen sequentially, which delays the development time, results in project re-work, or both. In truth, today's world demands that all hands are on deck even before the ship is ready to set sail.

## INNOVATIVE INNOVATION

- Be open to innovations no matter where they come from
- Learn from past successes and failures
- Be rigorous in weeding out losing innovations from the winning ones
- Value, nurture and reward creativity



## When the End is Near

Follow-through is one of the most important parts of the innovation process, yet it's one that companies often neglect or disregard. Excluding a robust post-launch evaluation is one of the biggest mistakes a company can make. When you bring an innovation to life, it's vital that you pay close attention to what's working and what's not. This key phase of the process is often where most of the learning happens—it's also where most innovations fail.

Execution and sustaining financial support is particularly important in fragmented and highly-layered markets like India, where the time horizon for innovations should be three-to-five years, based on research on innovations that Nielsen conducted for this market. Even so, companies that execute well have near-to-medium term project targets that help them stay on track and provide guidance about how to ensure success as the project advances. Quarterly targets for support activity and sales work well for a market like India in the first 24-36 months.

Business leaders are very familiar with scenarios where innovations look good on paper because they involve huge financial projections but fail in the market because support and distribution fell short during the launch year. Companies can materially improve the success rate of their next innovations by formally tracking the process and relaying feedback to all internal teams so that they can make necessary improvements and adjustments along the way—and this practice needs to occur through the end of the launch year. The real test is not to have launched an innovation but what you do with it once it is in market.

“Re-thinking the innovation process can shift the odds in your favour.”

## Thinking end-to-end Innovation



## Innovation in the Modern World

Humans are very good at learning from their mistakes, adapting and evolving. Despite our years of learning, however, more innovations fail today than succeed. Re-thinking the innovation process can shift the odds in your favor.

An organization should be rewired to gauge strategic fit, consumer viability and the financial potential of your initiatives. More importantly, however, it should allow all stakeholders to provide feedback in real time and learn from past experiences. The modern world calls for a demand-led lens at the beginning of the process and increased rigor to manage the daunting post-launch process.

“Successful innovation can be institutionalized through a disciplined process - measured against strategic fit, consumer viability and financial potential.”

## About Nielsen

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