

## Innovating In Difficult Times (Winter 2009)

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Let's face it, times are difficult. A day doesn't go by when we don't hear or read about another job layoff, restructuring, or a wide gyration of the stock market. The last thing that you may be thinking about, as you are trying to survive, is innovation.

However, over the past few years, innovation has become the mantra of business. The word conjures up all sorts of thoughts ranging from positive sentiments like new, wow, technology, all the way to the negative including inefficient, risky, and expensive. While times are difficult, now more than ever, it is important for business leaders to put innovation at the center of their business agenda.

If we look at the period from 1975 to 2000 we see that over 70% of the companies listed on the Fortune 500 in 1975 were no longer listed in 2000. This is an indication of the turbulence that has been occurring across many industries resulting from globalization, technology advances, and free trade. It has led to an unprecedented array of products and services that are screaming for buyer attention in over-crowded markets. In short, supply in many industries is outpacing demand growth and given the current downturn in our economy this situation is further exacerbated.

Business leaders can fight back against the tide of competition in their industries by playing a different game with value innovation. Of course value innovation is not risk-free and if we try to make it risk-free, this can stifle the process and lead to more of the same. So the question is how can we apply innovation as a business strategy in times when maybe we are a bit more risk-adverse given the current economic climate? The concept of value innovation can help you to keep innovation focused on achieving payback by converting new ideas into revenue and profits.

Value innovation is the idea of simultaneously increasing buyer value while dropping an industry's cost structure. It is **not** simply doing "less for less". Rather value innovation addresses both company costs and customer value to help organizations deliver more value to customers for less cost or simply put "**more for less**". It requires challenging the conventional wisdom about what you have always offered and may have taken for granted.

While value innovation could be applied to open up entirely new markets, it can more conservatively be used to develop total solutions and enhanced user experiences with existing customers. UPS has done this with their Supply Chain Services unit which has allowed them to create more value for customers like Toshiba by doing the repair of laptop PCs for Toshiba and eliminating the shipments between UPS and one of several Toshiba's service centers. More value for Toshiba (quicker service to their end users) and less cost (eliminated air shipments between UPS and Toshiba).

Additionally value innovation can be used to de-segment a market and attract existing buyers from different market segments to your company by offering "more for less". If we look at Target, they have been following this "more for less" value innovation strategy for years. With their "cheap chic" strategy, Target has de-segmented the retail market by attracting customers from both deep discount stores like Wal-Mart as well as customers from full service department stores like Macy\*s. How have they done this? Target appeals to customers of deep discounters by offering stylish products and an enhanced shopping experience over the deep discounters (more value). By concentrating on products that are less complicated to sell, they have reduced the need for full service representatives found in stores like Macy\*s (cut costs). In short, their "cheap chic" strategy is an example of a value innovation – more buyer value for less company cost.

Are you ready to explore how a value innovation approach can provide an alternative path forward in these difficult times to price cutting or traditional cost cutting activities that often lead to "less for less" and potentially destroy buyer value? Value innovation can help you to find a path for creating "more value for less cost" in your established markets.