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Product Innovation as a Key to Brand Enhancement: An Insight into Consumer Product Companies

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Abstract - Emerging companies have completely reshaped the landscape of their respective industries within a short period of time by entering the markets with new technologies or radically different approaches to doing business leading to the demise or decline of industry incumbents. Such disruptive innovations are not random acts of nature — there is a pattern to the phenomena. As exponential improvements in information, communications, and artificial intelligence technologies is advancing, they are creating new tools and capabilities and thereby, the pace of innovation is accelerating. The positive feedback from these developments makes the world increasingly transparent and competitive, further accelerating the pace of innovation. From the radical innovations that shake up entire industries to the many small innovations that perfect the execution of already successful organizations, innovation can be treated as a process, one that can be managed and turned into a driver of profits and growth. Consumer product (CP) companies face an ongoing set of challenges to performance, from slowing industry growth, to declining brand loyalty, to the rise of unconventional competitors who play by different rules. While virtually all companies in the world pursue "innovation" as a key driver of growth, very few are actually creating new, viable business offerings that drive value for their customers and shareholders. The present paper is an attempt to understand what separates innovation leaders from everyone else, and analyze what these leaders are doing to drive greater returns from innovation and embracing disruptive innovation.

Keywords: Brand Perception, Consumer Behaviour, Consumer Products, Innovation, Value Creation

I. INTRODUCTION

Research scholars and practitioners have duly acknowledged the central role of design as a driver of innovation and change (Brown, 2008; Martin, 2009; Liedtka, 2015)[1] [2] [3] The importance of design as a source of value creation had been under scrutiny for several decades (Peterson et al., 1986) [4]. Most of these studies have however addressed design as the aesthetic and symbolic dimension of products, i.e., design as "form", identity and emotions, which gave design a marginal role in the realm of innovation studies (Capaldo, 2007 [5] Dell'Era and Verganti, 2010 [6]. What has driven the steep growth of attention to design in the latest years in the business community is an absolute change of perspective which says design is not only an aesthetic driver of innovation but as a whole innovation management practice, a new set of processes, mindsets, capabilities, and organizational settings. The emergence of new paradigms such as human-centered design (Buchanan, 2001) [7] participatory design (Sanders and Stappers, 2008) [8] and especially design thinking (Brown, 2008; Martin, 2009), have embarked upon the transforming role of design in the field of innovation analysis.

The pace of innovation is accelerating. As exponential improvements in information, communications, and artificial intelligence technologies advance, they create new tools and capabilities. The positive feedback from these developments makes the world increasingly transparent and competitive, further accelerating the pace of innovation. Emerging companies have completely reshaped the landscape of their respective industries within a short period of time by entering the markets with new technologies or radically different approaches to doing business leading to the demise or decline of industry incumbents. Such disruptive innovations are not random acts of nature — there is a pattern to the phenomena. From the radical innovations that shake up entire industries to the many small innovations that perfect the execution of already successful organizations, innovation can be treated as a process, one that can be managed and turned into a driver of profits and growth.

Today's innovation economy has distinguishing properties. Many technologies improve at rapid exponential rates, global competition is intense and increasing, there are unprecedented opportunities for major new innovations, and emerging global markets are huge. Confronting these challenges is daunting. Failing to adapt to these powerful dynamics will pose a serious threat.

Consumer Product companies with strong innovation portfolios and capabilities can generate more value for their

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shareholders, despite of industry headwinds. Consumer product (CP) companies face an ongoing set of challenges to performance, from slowing industry growth, to declining brand loyalty, to the rise of unconventional competitors who play by different rules. While virtually all companies in the world pursue innovation as a key driver of growth, very few are actually creating new, viable business offerings that drive value for their customers and shareholders. There are, however, exceptions to the rule. In a recent analysis conducted by Deloitte across 44 leading CP companies, representing over $900 billion in revenue, it was found that a small number of companies are driving disproportionate performance from innovation. Based on this insight, we may derive out to understand what separates innovation leaders from everyone else, and analyze what these leaders are doing to drive greater returns from innovation.

The CP landscape is rapidly changing and companies that maintain the status quo will likely increasingly face negative consequences. The historical industry playbook in CP is not working: traditional CP companies are already quickly losing share to smaller, more nimble, and more innovative companies who are successfully capturing the attention of brand-agnostic consumers in an increasingly crowded playing space. The companies that drive disproportionate returns and performance from their innovation investments are companies that do three things well - they systematically innovate beyond product, they design for consumer behavior and they develop systemic capabilities to drive their innovation activities.

Innovate beyond product: Use multiple types of innovation to improve profitability and consumer experience. Companies that apply multifaceted innovation to support product differentiation demonstrated a better hit rate for innovations launched in the market.

Design for consumer behavior: Break through consumer paralysis and stimulate trial and adoption by leveraging "on the ground" realities of consumer decision-making. Deeper understanding of consumers' cognitive and behavioral tendencies can help companies heighten consumer engagement and prevent off-ramps to action.

Develop systemic capabilities: Build robust organizational structures that enable repeated innovation performance. Companies that systematically consider innovation strategy and intentionally structure to support and fuel innovation with the right leadership, talent, and funding mechanisms, can more reliably design, launch and scale innovations over time.

II. Strategies Adopted by Leading Companies

1. Innovating beyond product

Many CP companies equate "innovation" with developing new products or new product extensions—according to recent Nielsen research, there were more than 20,000 product launches since 2008, yet only a whopping 74 of these have been blockbusters. Moreover, a Deloitte analysis of successful innovations launched by 44 top Consumer Products companies revealed that nearly 90% of CP innovations are either product performance or product systems or line extensions. While core for most CP companies, product-based innovation can be easily identified and copied, and is rarely sufficient to enable a sustainable competitive advantage in the market. To successfully navigate the changing industry landscape, it is imperative that CP companies consider innovation outside of products alone.

Variants of Innovation

In Deloitte's leading book "The Ten Types of Innovation: The Discipline of Building Breakthroughs", Deloitte explained that the world's leading innovators systematically innovate "beyond product" by leveraging distinct variants of innovation. These innovations range from configuration innovation in the form of partnerships or business models that change the economics of offerings, to enhanced consumer experiences and alternate delivery channels.

- ***Building a network or ecosystem of partnerships*** Companies don't have to do it all alone; increasingly, open platforms are seen as a novel way to develop unconventional partnerships and leverage the collective intelligence of employees, outside experts, and consumers. Colgate, for example, uses an online platform to leverage the collective intelligence of the public to help solve specific consumer challenges in dental care. GE's FirstBuild program has enjoyed success using crowdsourcing and crowdfunding tools for product innovation and development, coupling the unconventional insights and early feedback available through these approaches with the company's traditional advantages in manufacturing at scale.
- ***Investing in next generation consumer experience for the "segment of one"*** Personalization and curation are not new ideas in service industries, but applying them in CP to satisfy unmet consumer needs for individualization and customization and to simplify the consumer experience is novel. Whirlpool's Interactive Kitchen of the Future can learn a family's likes and routines, using cues from the environment and appliances to anticipate their unique needs and adapt to unforeseen changes, helping a family get through the morning rush.
- ***Developing a fully integrated digital platform*** Behind the scenes, the integration of resources, data and technologies across platforms can streamline the supply chain, drive operational excellence and allow CP companies to establish a true omni-channel presence across physical and digital consumer touchpoints. Warby Parker is subverting the traditional

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rules of retail by combining the convenience of at-home trial with a seamless web-based order-to-fulfillment process, coupled with physical retail locations in key metro areas. Barber In A Box delivers content through integrated channels that all drive traffic back to a single landing page, and maintains post-sale engagement through QR codes that lead to pages with educational videos.

2. Designing for consumer behavior

Companies can de-risk innovation by using behavioral design to increase the rate of initial trial and ongoing adoption of offerings, building solutions that address common behavioral and cognitive tendencies. By combining principles from behavioral economics with user insights and business experience, leading innovators leverage behavioral design to take solutions that seem smart on paper and actually make them "stick" with consumers by considering how their sense of identity, incoming preconceptions, and perceptions of possible options impact decision making. CP companies can learn from others that have successfully leveraged these tactics effectively.

- ***Sparking initial trial***
  Convincing customers to try a new product or choose one amongst many remains a fundamental challenge in CP, particularly in a "more is more" world in which the sheer number of available alternatives makes selection increasingly difficult. Speaking to consumers' existing "mental models" can help cut through the noise to get at what really matters.
- ***Motivating ongoing adoption***
  Tactics such as building on existing habits, leveraging feedback loops, and crafting experiences where value increases over time can be successful approaches for getting customers to come back; "set it and forget it" options—like subscription services—provide even more stickiness.
- ***Reducing consumer off-ramps***
  Whether consumers are just trying something for the first time, or for the hundredth, CP companies should consider designing for three key moments in decision making when consumers are especially susceptible to behavioral tendencies.

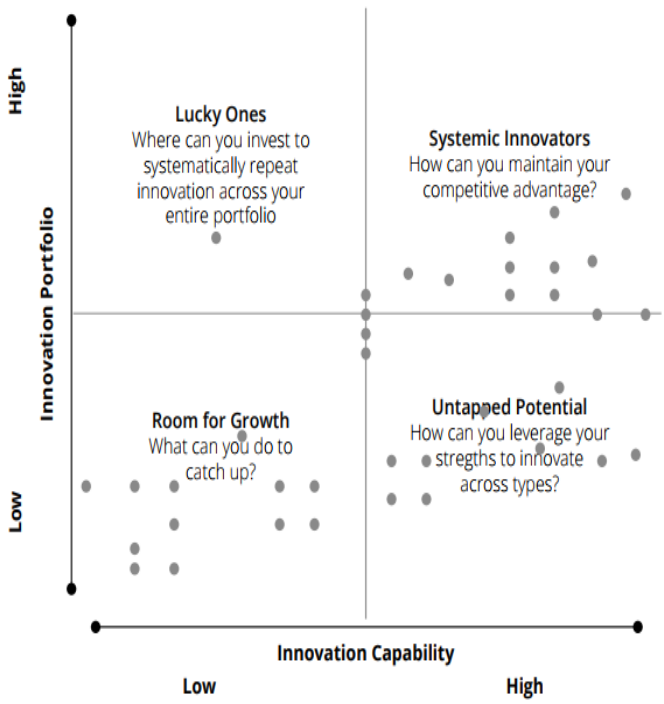
3. Developing Systematic Innovation Capabilities

Without systemic capabilities, you can't consistently repeat innovation to maintain competitive advantage. Leading innovators build well-designed, self-reinforcing innovation systems that yield increased marketplace performance, streamline organizational processes, increase clarity and motivation for their people, and foster internal and external collaboration. Components of a balanced, well-developed innovation system include:

- Setting the strategy
- Managing the portfolio
- Constructing, building, and scaling innovation
- Fueling innovation

4. CP innovators

Each of these components—innovating across multiple types beyond product, designing for consumer behavior and experience, and developing systematic capabilities—is valuable independently, but maximum impact results from combining the tactics. To understand these dynamics at the level of specific offerings and companies, Deloitte mapped a selection of key in-market offerings launched by broad range of leading CP companies against the companies' internal innovation capabilities. This analysis allowed us to identify four types of companies based on the intersection of strengths and weaknesses in innovation portfolio (measured by the types of innovation used in market-facing offerings) and innovation capabilities



Systemic Innovators displayed generally strong innovation portfolios and strong internal capabilities. They enjoy the benefits of multifaceted innovations and have set up their innovation systems to repeatedly deliver strong innovative offerings; for example, combining new delivery channels like web engagement and door-to-door delivery, through a subscription profit models, allowing these companies to reach consumers in new ways and reap new sources of revenue. The key question for Systemic Innovators is how to maintain this strong performance

The other types either suffer from having weak innovation portfolios or lack innovation capabilities to systematically drive the right kind of innovation activity throughout their organization. Companies who fall into these categories and are seeking to shift their positioning should consider the actions indicated for their type:

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Lucky Ones indicate the presence of strong portfolios but weak internal capabilities. These companies typically face higher burdens to design and launch innovations, whether from having to navigate restrictive pipeline development processes, compete against other initiatives for a fair share of funding, or demonstrate financial value earlier than is realistic for more ambitious offerings. Focusing on building more systematic approaches to innovation can grease the wheels and streamline identification, development, and market execution of innovative ideas.

Untapped Potential Commercialize and get leverage from the innovation system and have relatively weaker innovation portfolios but demonstrated evidence of stronger innovation capabilities, indicating that they are positioned for performance but lack methods or motivation to innovate across multiple types. Leveraging existing capabilities to expand beyond narrow product innovation can help these companies more effectively harness and build on what they are already doing well.

Room for Growth show evidence of relatively weaker portfolios combined with limited innovation capabilities. These companies may need to play catch-up along two dimensions, with some well-placed bets on additional innovation types as well as investments in building systematic capabilities. Developing new innovations in parallel with an internal innovation competence can sound overwhelming, but can actually be a quite successful tactic: pilot projects create a sense of concreteness, provide necessary momentum, and can be used to test nascent capabilities.

Different combinations of innovation capability maturity and portfolios suggest there is not a one-size-fits all approach to improving CP innovation across companies. Diversity in companies' specific situations suggests a range of alternate approaches to stronger and more systematic innovation development.

III. Conclusion

The CP landscape is rapidly changing and companies that maintain the status quo will likely increasingly face negative consequences. The historical industry playbook in CP is not working: traditional CP companies are already quickly losing share to smaller, more nimble, and more innovative companies who are successfully capturing the attention of brand-agnostic consumers in an increasingly crowded playing space. Multi-faceted innovations are itself not enough. Smart, advanced solutions don't sell themselves; solutions with compelling value propositions that people will actually use do. Applying lessons from behavioral economics can help drive consumer trial and adoption to help ensure market success of innovations by designing for consumers in ways that demonstrate meaningful value, and make sense within consumers' existing mental modes.

Successfully innovating beyond product means building robust ideas that cut across multiple types of innovation, making them difficult for competitors to copy. Multi-faceted innovation in itself is not enough. Smart, advanced solutions don't sell themselves; solutions with compelling value propositions that people will actually use do. Applying lessons from behavioral economics can help drive consumer trial and adoption to help ensure market success of innovations by designing for consumers in ways that demonstrate meaningful value, and make sense within consumers' existing mental modes. In order to better achieve repeated innovation success and a sustained competitive advantage, a company must develop the right innovation capabilities and organizational competence that provides the right kind of structure, processes, incentives, and leadership models.

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