Session 7
INNOVATION
1. Greatest success usually comes from “disruptive innovation”.
2. Marketers in mature markets should avoid the mind set that no opportunities exist to exploit innovation.
3. Success can come from simple innovation involving an upgrading of an existing product or service.
4. Innovation strategies should be broadened to examine opportunities to improve internal operational processes.
5. Useful concept for assessment new product opportunities is the Product Usage Cycle.
6. New product success is critically influenced by maximising the number of ideas.

7. Stage Gate new product model runs the risk of being pre-empted by a competitor.

8. Critical that age and life experience data are acquired from the actual target market.
Innovation Pathways

• Major firms focused on “sustained innovation” to make incremental improvements to existing products.
• Risk of vulnerable to entry by totally new proposition by competition.
• Example of Amazon.com in retail sector.
• Conventional view is market leader does not immediately recognise and respond to new threats.
• Caused by customers demanding on focus on improving existing products/services.
• Example of IBM not recognising implications of mini computers offering affordable computing to smaller organisations.
• Too focused on developing next generation of IBM mainframes offering faster/more powerful data processing capability.
• Left Ken Olson unchallenged to launch DEC supplying mini computers.
• Christensen’s theory that entrepreneurial firms should focus on radically new products or internal processes.
• Opportunity to succeed because existing market leaders focused on improving current products/operations.
• Christensen labelled his approach as “disruptive innovation”.
• Disruption is based upon ignoring/breaking existing sector conventions or rules.
• Acceptance of disruptive innovation theory has diverted focus away from improving existing product to exploit new market segment.
• L’Oréal has succeeded by moving into anti-ageing formulations for existing products.
• Heinz and Minute Maid reformulated products to meet nutritional and taste preferences of older consumers.
Innovation and Older Consumer

• Rubel’s guidelines for innovation success:
  – Understand ability differences across age groups
  – Identify which abilities influence purchase decision
  – Test prototypes for usability, usefulness and aesthetic appeal
  – Focus on promoting aesthetic appeal, usefulness, benefits and joy from usage
Lifestyle Opportunities

• In past older consumer perceived as having immobile, low income lifestyle.
• This has changed with many older consumers becoming “Prime Life Consumers”.
• Many older consumers are healthy, active and keen to remain looking youthful.
• Societal behaviour shift offers whole new range of new product/service opportunities.
• Older females want cosmetics and apparel to make them look youthful.
• Both sexes involved in activities aimed at remaining healthy.
• Opportunities for fitness clubs, in-home fitness machines.
• Opportunities to make available anti-ageing products/services (e.g. health spas).
• Opportunities for low calorie and health food options.
• Following market assessment firm should review new product or new organisational process innovation.
• Process innovation often simpler and faster to implement.
• Tendency of entrepreneurs to be biased towards product innovation.
• May miss process change opportunities which often are low risk propositions.
FIGURE 7:1 INNOVATION FOCUS MATRIX
FIGURE 7:2 DIRECTIONAL PRODUCT MATRIX
Refocus Innovation

- Examine opportunities to “turn back the human clock”.
- Focus on how to cover up ageing appearance situations.
- Obvious example of combating greying hair using colouring agents.
- Revlon enjoyed success with colour formulations which also recognise fragility of older consumers’ hair.
• Huge success for U.S. firm Combe Corporation with “Just for Men” and “Grecian Formula 16” achieving 60% share of male hair colouring market.

• Traditionally cosmetic firms have targeted 20-35 year age group.

• Bigger opportunities in “looking younger market” targeting older consumer.

• Formulations aimed at hiding or even counteracting ageing process.
Usage Cycle

• Classic marketing theory of 4 phase product life cycle (PLC):
  – Introduction
  – Growth
  – Maturity
  – Decline

• Recognition of point of product on PLC curve can guide marketing mix decisions.

• Some academics reject PLC as not reflecting real life scenarios and can cause marketers to be mislead.
• Others claim PLC ignores macro-environmental variables (e.g. economic conditions) that can alter speed or shape of curve.

• May misread temporary flattening in sales as maturity and reduce promotional focus on generating trial and repeat purchase.

• Probable better perspective is accept usefulness of PLC concept but afford blind allegiance when reaching decisions.
• Alternative philosophy of examining product in relation to changing consumption patterns over time and profitability.

• One approach is to U.S. Product Usage Cycle (PUC) examining 2 dimensions of:
  – Use of product in relation to specific consumer life stage
  – Changes in consumer lifestyle over time

• PUC for older consumer is of two types – existing and new product usage.
FIGURE 7:3a EXISTING PRODUCT USAGE
FIGURE 7:3b NEW PRODUCT USAGE
• With existing product need to determine if different benefit sought upon entering retirement.
• Case of new products these meet new benefit needs that appear upon retirement.
• Having assessed nature of PUC, use position on curve to determine optimal marketing mix.
• Existing product, promotional focus on ongoing benefit of usage in retirement to sustain customer loyalty.
• New product will require focus on educating benefit upon entering retirement.
• Aim to generate trial and initial repeat rate.
• May also consider reverse PUC concept of exploiting older consumers' interest in nostalgia and happy times when young.
• Potential in reverse PUC seen by success of revival concerts and downloading re-mixes of older popular music.
Usage Change

• Survey-based market can provide insights on current consumer attitudes.
• Can use results to develop more effective marketing plans.
• Very effective if identify early attitude shifts because can use data in product improvement.
• Example of application in USA to determine changing needs for older consumers in relation to gated community facilities.
• Acquired socio-demographics of usual purchasers.
• On average sold 3-4 bedroom detached home at price of $270,000.
• Gated community house preference single dwelling, slightly smaller floor space and 3 bedrooms.
• Bedroom reflects desire for hobby at home/office plus room for visitors.
• Two car garage but only one car (space for storage, or golf cart, mower etc.).
• Average purchase price $200,000 and then spend $50,000 on upgrades and new furnishings.
• Move motivated by more active social life in secure environment.
• Desire central social facilities (club house, pool, etc.).
• Located near to services (health care, shops, etc.).
• Approximately 40% attracted to site by word-of-mouth recommendations.
FIGURE 7:4 IDEA SOURCES
Idea Generation

- Objective of maximise number of ideas.
- Internet and computer-based customer records provides new data mining opportunities.

Potential obstacles to idea generation:
- Allocate task to lightweight team
- Not involve key customers
- Avoidance of radical thinking
- Resource constraint limits thinking
- Failure to involve employees
• Petersen’s study of entrepreneurial business leaders found own inspirations/spontaneous thoughts are key idea source.

• Avoid use of more conventional, structured processes found in many firms.

• Risk of excessive reliance on own judgment and failure to exploit expertise of others in firm.

• Risk of inadequate viability assessment and resources wasted on weak idea.
• Negative information (e.g. customer dissatisfaction/complaints) can be as valuable as positive data.

• Coleman Corporation developed smoke alarm with Test and Turn Off button sufficiently large to be triggered by broom handle.

• Based on newspaper article of older people removing alarm batteries to stop accidental triggering while cooking.

• Most people have personal preference in relation to idea sources.
• Example of computer techies who prefer talking to other techies in supplier companies.
• Have benefit of using multi-functional teams for idea generation.
• Need to recognise data may be biased.
• Example of supplier with idea supporting use of their components.
• Retail intermediary wanting idea that maximises their profit/unit of shelf space.
Mature Mart

- Alexis Abramson Director of 60+ Community Support Centre observing needs of older people.
- Realised opportunity to make available solutions (e.g. large dial telephones).
- Developed online catalogue marketed at carers and people with ageing parents.
- Catalogue grew to over 20,000 products and moved into wholesaling supplying pharmacies and grocery stores.
FIGURE 7:5 A TRADITIONAL LINEAR NEW PRODUCT PROCESS MANAGEMENT MODEL
• Stage Gate (or “linear sequential”) model developed by large firms.
• Supports “move from one box to next” management approach.
• Actually risk avoidance model designed to minimise launch errors.
• Risk that time to progress through model may permit competitor pre-emption.
• Japanese implement parts of model on concurrent basis to reduce “time to market”.
• Success of Japanese car makers to reduce development cycle for new model from 7+ down less than 2 years.

• There is risk that severe reduction in time to market can cause errors leading to cash flow problems.

• Stage Gate model is critically reliant on customer and/or supplier having adequate knowledge to undertake viability assessments during product development.

• Where knowledge absent may need alternative approach in place of Stage Gate process.
PRODUCER UNDERSTANDING OF THE NEW PROPOSITION

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Source: Modified from Millier and Palmer (2001)

FIGURE 7:6 CONSUMER/SUPPLIER INTERACTION MATRIX
Development Errors

• Tendency of firms to believe experience with 18-49 age group is transferable.
• Success rates in older age groups is reduced due to inadequate understanding of need (e.g. reduced vision, muscular strength).
• Also failure to appreciate older consumers seek genuine new benefit when considering product change.
• Older consumer also wants to perceive them as needing products helping them feel and/or look younger.
• Many researchers have found limited use of Stage Gate process in smaller entrepreneurial firms.
• Conclusion entrepreneurs lack knowledge of model so should attend training events on innovation management.
• Real world successful entrepreneurs have found Stage Gate model inhibits creativity.
• Entrepreneurs tend to use model elements and sequencing to suit project needs.
FIGURE 7:7 ALTERNATIVE INNOVATION PROCESS MANAGEMENT MODEL

Key:  = Conventional sequential linear model
      = Menu-based approach to innovation management
Nevertheless entrepreneurs do make mistakes due to issues such as:

– Lack of strategic thinking
– Lack of commitment to new products because too busy with day-to-day issues
– Failure to make adequate financial and/or technical resources available
– Poor horizontal/vertical communication
– Failure to involve key customers in development process
People Power

• Critical to ensure employees have skills necessary to implement need product/service proposition.
• More health clubs wanted to focus on health/fitness provision for older consumers.
• Staff role analysis revealed need for many employees to be engaged in provision to deliver high service quality.
• “Interfacers” who deliver and supervise fitness services who needed further training in older people physiology.
• “Interadjacents” providing support services (reception, catering etc.) who need to develop more flexible, warm understanding approach to older consumers.
• “Interplayers” who are staff behind the scenes who needed to develop high pride in role delivery to ensure all aspects of centre meet consumer expectations.