

Roots of Real Innovation

Innovation must come from your customers .



By Curtis N. Bingham

WHERE DOES INNOVATION start? Some believe great leaders drive innovation. Others believe the roots lie in pure research, unadulterated and unfettered by customer needs. Still others believe innovation starts with employees. However, the landscape is littered with great leaders and their failed innovations; the days of pure research are disappearing. The reality is that innovation must start with customers, as they are taking control of businesses, setting their own agendas, and rewarding companies that can adapt and better serve them.

Some great leaders have redefined the product and competitive landscape; however, the business press is littered with many others who've fallen into disgrace after failing to generate profitable innovations.

Pure research labs are disappearing. Small businesses now own one-third of the world's patents. While at Bell Labs, I was dismayed at the insular arrogance of the Labs: "We know what our customers want—we told them so!" Customers were beneath them, and it showed in their eroding bottom line. Pure R&D, unadulterated by customer issues, can't be a sustainable source of revenue-driving innovation.

Employee innovation programs are only marginally better than research because they focus internally on improving operational performance rather than breakthrough technology that simplifies customer processes and enhances customer profit models.

Marketing has traditionally focused on building a brand, creating an artificial need, or creating awareness in hopes that they'll catch a prospect during their purchase cycle. Those days are over. Brands are dead, needs are too expensive to create, and simply hoping to catch someone with a well-timed message is ludicrous. Brands used to serve as a proxy for detailed, analytic product information that was unavailable in times past. In this Age of Access, consumers have far more detailed product information available to them from companies, reviewers, users, and even competitors. With this overabundance of information and trusted recommendations, there is no need for the brand except as an affinity marker or community alignment tool.

If innovation doesn't come from leaders, schooled employees, behemoth think-tanks, or from outward-bound marketing, *where does it come from?*

Ted Leavitt wrote, "The purpose of a business is to create and keep a customer." If your purpose is to get and keep profitable customers, your customers should be your primary source of innovation! No company can simply develop a new product based on some cool idea and throw it over the wall in hopes that marketing and sales can figure out how to create a need in someone, somewhere. Competition is too intense, customers too demanding, and profit margins too thin for this.



How Do We Leverage Innovation?

Proctor & Gamble recently realized that to maintain their target of growing by \$4 billion each year, they needed to be the best at understanding their customers. Through their "Connect + Develop" program they're fueling growth by purchasing innovations from smaller companies that uniquely and profitably satisfy customer needs and enhance the customer experience.

To effectively leverage innovation to fuel customer-centric growth, companies need to: **1)** deeply

understand customers' needs, wants, desires, and attitudes regarding their products, services, and company and update this regularly; **2)** assign executive champions for innovation initiatives; and **3)** create a unified process for identifying and qualifying opportunities for products, services, markets, or segments.

It isn't too hard to find out what customers need, want, and will pay for. Customers are demanding to be heard. They want less hype and more insight as to how you can help them succeed. Few companies make sufficient effort to develop this level of customer insight, opting to operate from the gut or rely on outdated 3rd-party research.

You may think that your customers are insanely price sensitive. However, when customers truly value your products, they'll be

willing to pay double, even triple, current prices.

To effectively listen, you must speak with and learn from customers, vendors, partners, and others. You need to scour the social web, forums, and user communities to woo lead users, bloggers, exemplars and advocates who can contribute to your body of knowledge.

When you go deeper into customer attributes, perceptions, dissatisfiers, and business processes, you can quantify, justify, and defend the value you provide against their purchase and retention drivers as well as find new, profitable opportunities.

Great leaders recognize significant innovation and successfully evaluate it, vet it with customers, and commercialize it. They also provide executive-level support for well-qualified initiatives so they see the light of day and contribute to the company's bottom line.

These contributions must be formally measured and rewarded to ensure that the desired results are achieved.

Unified Qualifying Process

How can you evaluate new business opportunities to determine which ones are viable? At P&G, they identified the five biggest customer issues each division had and met with key customers to identify the desired customer experience around each. They then began to source solutions from innovation marketplaces, evaluating each according to potential profit contribution, strategic fit, and desired customer experience.

Ensure that there are clear profit, customer, and strategic measures in place for all to follow. Without such, innovation will languish on the vine.

Sustained, profitable innovation comes from customers. By understanding your customers' needs, wants, and desires and profitably satisfying them better than your competitors, you will win in the customers' eyes and in the market. Let your customers guide your next strategic move so you can grow profits as you attract more of the best customers and keep them longer. **SSE**

ACTION: Involve your customers in innovation.

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