

**SHOPPING TOMORROW**

# **INNOVATION FOR BRANDS**

**Ten tips for brands to innovate successfully**



*nextcontinent*



## Preface

Next Continent is a multi-local consulting network. Its ‘citizens’ are leading consultancy firms in many countries around the globe. These active leaders on their local market work on local and global issues, with access to various innovation centers and global expertise. In this report we share the experience from one of our citizens, Magnus Red in the Netherlands, on the actual theme of consumer brands selling directly to consumers. This publication has been created through the Dutch digital commerce platform Shopping Tomorrow. Magnus Red and its co-host Bluebird Day had been chairing the expert group Innovation for Brands. The group was formed by over 25 experts from leading consumer brands.

### About Next Continent

About NextContinent We are a new generation of management consulting network. Cross-border organizations are faced with specific challenges and major shifts. They need to adapt constantly to their fast-changing environments. Servicing them “as always” with a unique consulting mindset is no longer enough. We have felt the need to build a new consulting territory. We believe in the specifics of local markets as key drivers to handle globalization. We have the size and adequate footprint in our countries of operation to help our clients to make change happen in a complex world.

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### About Magnus Red

Magnus Red is an innovative consultancy and IT firm. We carry out complex advisory and change management projects. Our consultants excel in projects in which branches and organizations cooperate (internationally) to achieve strategic innovations. We specialize in digital transformation in retail, media and FMCG. Together with our clients we translate a renewed strategy to the operation: processes, organization, technology as well as people. Magnus Red is the Dutch citizen of Next Continent.

### About Shopping Tomorrow

ShoppingTomorrow is the digital commerce platform for all e-commerce professionals. We jointly explore, investigate and contribute to the transformation of B2C and B2B retail. What do future developments in the field of business models, customer journey and technology, for instance, mean for employees and companies? The research platform was initiated by Thuiswinkel.org in 2013 and is now supported by over 20 Dutch industry and special interest groups. For more information about ShoppingTomorrow, visit [www.shoppingtomorrow.nl/en](http://www.shoppingtomorrow.nl/en).

### About the expert group

The expert group Innovation for Brands was formed by experts from McGregor, VGZ, Aegon, Royal Auping, Beslist.nl, Only for Men, Achmea, Innovation, Intergamma, Van Gils, Bos Group International, Somfy, HEMA, Claudia Sträter, Teleperformance, Bol.com, Alpine Hearing Protection, L’Oreal, Daelmans, Accell, Essenza Home, Annacom, Beter Bed, Vermes, Signify, Bluebird Day and Magnus Red.



# 1. Introduction

Innovation is the development of new or improved products, services, markets and/or processes, often through the application of new technology. Eighty-four percent of managers indicate that innovation is important for future growth ([McKinsley Global Innovation Survey](#)). Even so, only a fraction of all innovation projects is successful. So why should brands invest in innovation?

1. Introduction
2. Deciding in Which Innovations to Invest
3. Organizing the Innovation Process
4. Ten Tips to Start Innovating!

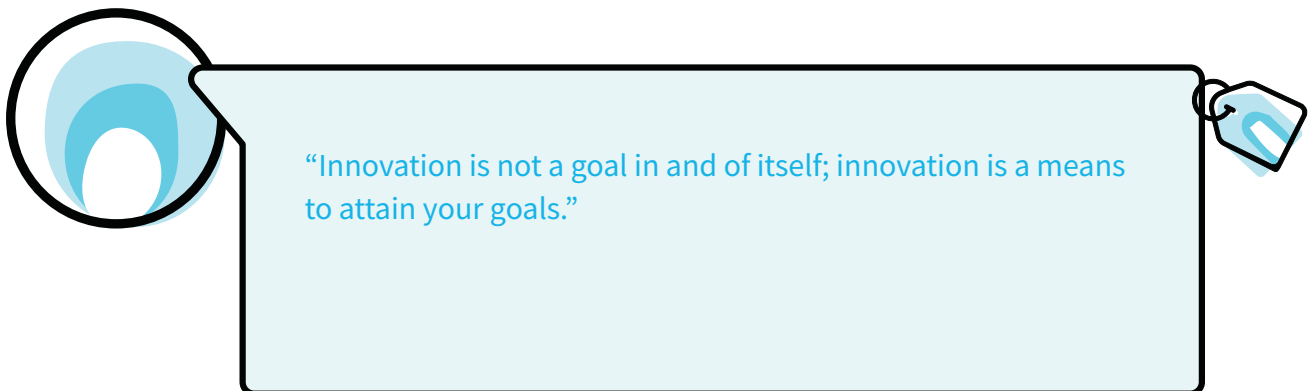
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## 1.1 What is the strategic goal of direct sales?

Innovation is not a goal in and of itself. Rather, it is a means to achieve certain goals and objectives:

- Innovations help brands stay relevant for their existing customers, as preferences and needs tend to change over time;
- Innovations help brands differentiate themselves from their competitors;
- Through innovation companies can enter new markets, offer new products and/or services, develop new business models, and reach new customers;
- Innovations can also improve internal processes, overall quality and (cost) efficiency;
- Innovation offers legitimacy and credibility to organizations.

In addition, innovation makes organizations more flexible, offers room for creative minds, and fosters a dynamic culture of growth and improvement. Most organizations therefore recognize the importance of innovation.



The Corona pandemic has greatly tested the flexibility of organizations. Not only has Corona showed the importance of innovation, it has also moved companies to change their business in innovative and creative ways. As such, it is a great example of the driving forces behind innovation:

- Process needs, such as the need for self-checkout in stores;
- New technology and expertise, such as artificial intelligence and robotization;
- Unforeseen circumstances, such as the Corona pandemic;
- Changing perspectives, such as the importance of health or the focus on sustainability.

Research by McKinsey shows that over 75% of consumers in the US and China have changed their shopping behavior and the sales channels they use due to Corona, shifting previous brand loyalties. The changed customer journeys and shopping behavior, compounded by the economic impact of the pandemic, have all helped innovation transform into the new lifeline of organizations. For retailers and consumer brands, innovation is now more relevant than ever. Accordingly, our expert panel has formulated the following research question:

How can (retail) brands become more innovative and successfully implement innovations in marketing, customer journeys and business models?

## 1.2 How Does the Consumer View Innovations?

Now that we have established the importance of innovation for brands, it is interesting to consider how consumers view innovation. In a survey commissioned by Shopping Tomorrow and conducted by GfK, 500 Dutch consumers were asked about their shopping preferences. When asked to indicate the most important aspect of a brand when shopping for an electronic appliance, respondents indicated that quality, reliability and the price of a product are more important than whether or not the brand is known as being innovative. Men more often chose brands for their innovativeness than women. Young people also voiced a higher preference for innovative brands than elderly people.



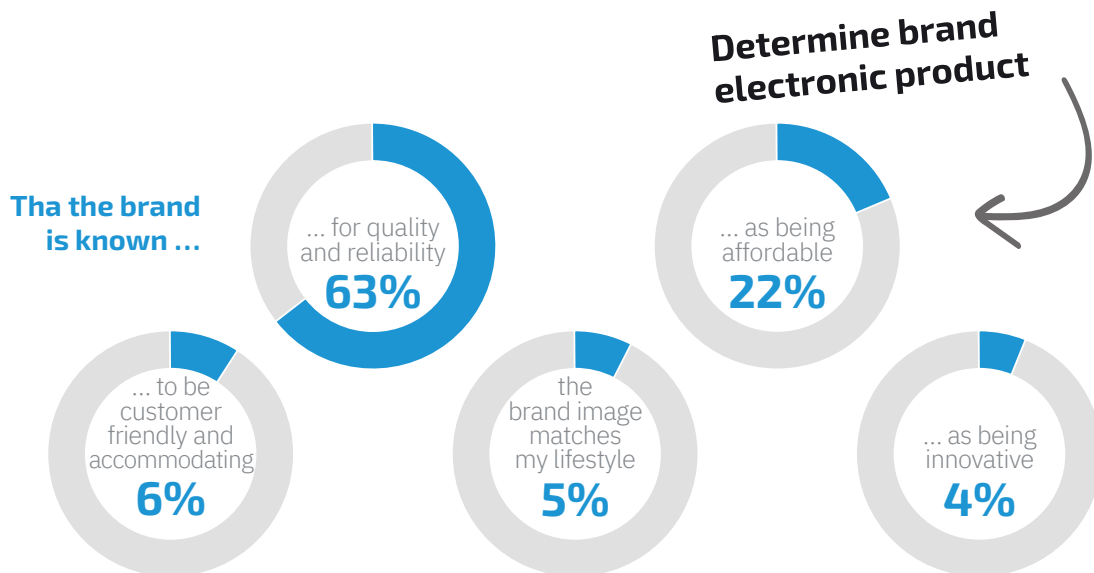


Image 1: Extent to which consumers weigh certain characteristics of a brand when shopping for an electronic appliance<sup>1</sup>.

Even though it seems that having a reputation of being innovative is not all that important for the Dutch consumer, innovations themselves are highly rated. We were interested to see which recent innovations in shopping are most highly valued by consumers. On our behalf, GfK asked the same group of people to rate a list of innovations in the shopping experience and customer journey, the results of which are presented in image 2. Interestingly, the most highly valued innovations all serve to make shopping more convenient. Augmented reality, perhaps the technically most advanced innovation in the list, is the least appreciated innovation. The conclusion we can draw from this is that innovations should lead to improved products and processes and should not be used as mere marketing tools or gimmicks.

The ability to track packages via “track & trace” functions on a website or in an app	65%
The option to pay contactless in stores	48%
The ability to check out in the shop yourself <i>(using a scanner)</i>	39%
The ability to arrange payments between consumers via apps such as Tikkie	32%
The ability to buy virtually all types of products on the same online marketplace <i>(such as bol.com and Amazon)</i>	28%
The ability to have meals from all kinds of different restaurants delivered to your home <i>(such as via Thuisbezorgd.nl)</i>	24%
The ability to contact a company’s customer service via chat <i>(WhatsApp, chat features on websites and in apps)</i>	24%
The option of having groceries delivered to your home	22%
The option of receiving personal offers based on your customer profile/loyalty card details	12%
The ability to visualise a piece of furniture online in your own home using “augmented reality”	7%

Image 2: Consumer ratings for selected recent innovations<sup>1</sup>.

1. GfK CONSUMER RESEARCH 2010



Now that we have established the need for brands to innovate and have discussed how consumers see innovation, it is time to address two important questions. First of all, how should a company decide in which innovations to invest its resources? Also, having set their innovation priorities, how can companies successfully organize innovation? We will discuss these questions in order.

## 2 Deciding in Which Innovations to Invest

### 2.1 Protect or Transform?

An important step for companies is to formulate a shared and comprehensive vision on innovation. Innovation requires resources, dedication, and a clear focus. That focus will decide which ideas should be pursued and which ideas should be abandoned. In order to make informed decisions, it is important to gather information through brand-, market- and customer research. Based on this research, you can decide whether your company should innovate in order to protect its current market position, or if it should do so to transform current business:

#### • Protect

- Does your business have healthy growth figures?
- Are you a dominant player in your market?
- Do you need to enter new markets in order to grow?
- Is it easy for your business to attract new talent?

OR

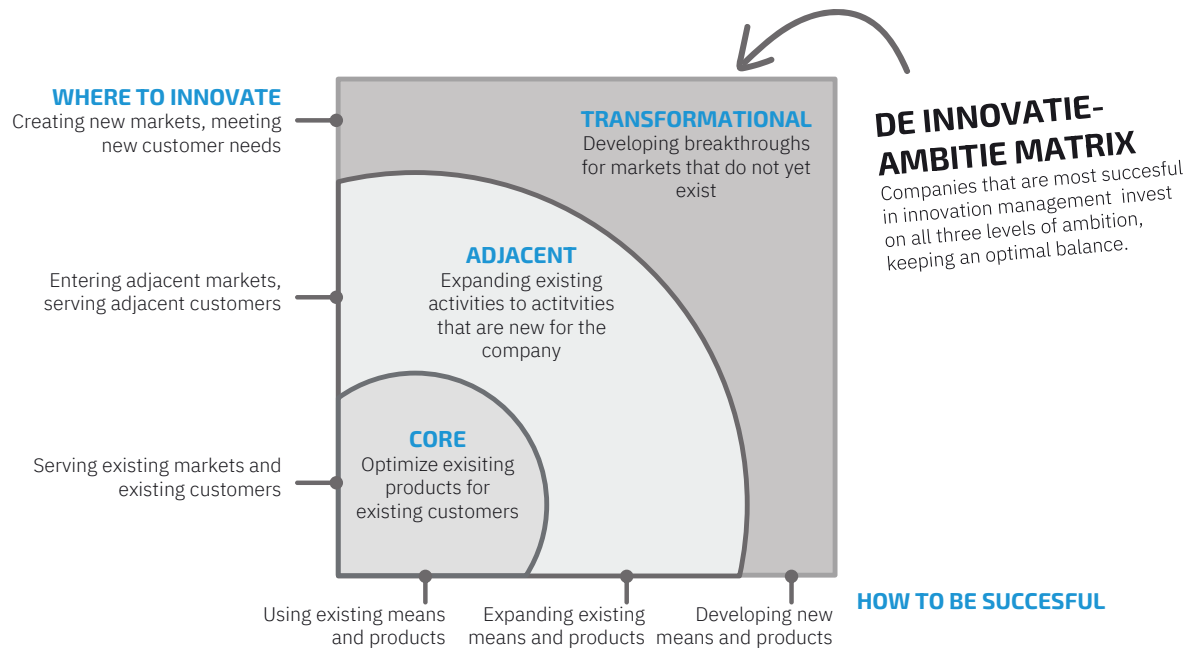
#### • Transform

- Is your business being threatened by new technologies?
- Does your business have diminishing returns on its current portfolio?
- Is competition increasing?
- Is it hard for your business to attract new talent?

Tesla is a good example of a company that above all has to protect its current market share. In addition to selling electric cars, it can leverage its battery technology to enter new markets, which could sustain future growth. Conversely, the rising popularity of electric cars like Tesla's is directly threatening the market share of traditional car brands. They will be forced to transform in order to stay competitive. Knowing whether to protect or transform current business can help companies balance their innovation portfolio. The innovation ambition matrix below can help companies setting the right priorities.

*Image 3: Innovation ambition matrix based on Bansi, Nadji & Geof<sup>2</sup>.*





Companies that want to use innovation to protect their current market share are in the bottom left of the quadrant. The more a company has to transform, the more it moves to the top right corner. As companies move to the top right,

- The larger the required investments;
- The smaller the chances of success;
- But the larger the potential profits in case of success.

Only 10-20% of all innovations are successful (Capgemini, 2015). It is therefore paramount for companies to have a well-structured innovation process and a diversified innovation portfolio. Above all, companies should learn from earlier failures and adjust their innovation process accordingly, so they maximize the probability of future success. Large corporations with multiple products and services in multiple markets distribute their investments in products and innovations across the three different levels of the ambition matrix. Retailers can take a similar approach and distribute their innovation budgets across different areas such as their brick-and-mortar stores, online propositions, loyalty program, fulfillment options, payment methods, etcetera.



## 2.2 How to get Inspiration for Innovation

When searching for relevant ideas for innovations, try to involve as many people and insights from inside and outside your company as you can. Talk to employees, vendors, clients, customers and partners, and encourage them to contribute to your innovations. Not only will doing so help you find many great ideas for potential innovations, it will also help generate support for the development and implementation. Want to know how you can incorporate insights from your partners? You can read all about it in the case study of Bol.com below.

Research shows that the majority of companies recognize the importance of involving customers and partners in innovation (PwC, 2017). One company that has successfully done so is the largest e-tailer of the Netherlands, Bol.com. Joost Legebeke, Business Developer Product Innovation at Bol.com, explains their approach as follows:

“Over the past few years, Bol.com has increasingly focused on developing its marketplace proposition. At first, we hardly involved sellers in our innovation process. We decided to change this by forming a new, multidisciplinary team that would focus exclusively on improving our seller platform. For six weeks, our team collaborated closely with a select group of sellers, in order to better understand their needs and challenges.

We used our newly acquired knowledge to develop new instructions and dashboards for our sellers. We shared the early prototypes with our sellers to ensure that we were on the right track. Once we knew that we were on the right track, we developed dashboards that we were sure would work for our partners.”



“Involve everyone within your organization in your pursuit of innovative ideas! You will be surprised in your search for new propositions, optimizations, or business models.”





## 3. Organizing the Innovation Process

### 3.1 Innovation is a Creative yet Structured Process

Over the past few years, companies have increasingly adopted concepts such as Agile/scrum, design thinking and lean startup. Likewise, incubators, accelerators and innovation labs are proliferating all over the world. Even so, innovation is not a freeform exercise. Successful innovation requires a structured approach, while leaving enough space for creativity and experimentation.



There is a plethora of innovation models that can be used to structure the innovation process and its various phases. Our expert panel has examined many of these models and have used these to formulate a step by step approach to innovation. Our model identifies six steps in the innovation process:

1. Formulate goal and strategy
2. Setting up the innovation process
3. Exploring the market
4. Develop the business case
5. Validate concept
6. Realize, launch and iterate innovation

#### Formulate Goal and Strategy

Simply starting with developing and implementing innovations has a slim chance of success. Before all else, companies should formulate clear goals for their innovation activities. Why does the company want to innovate? What does it want to gain through innovation? And where are the best opportunities? Answering these questions requires sound knowledge of both your company as well as the market in which it operates. A clear guiding vision will help your company focus on the innovations through which it can be most successful.





“You shouldn’t see the implementation of new technologies as your ultimate goal- innovation starts with a new vision on the way your company operates, in which technology can only support you.”



## Setting up the Innovation Process

There are various ways in which companies can promote innovation. One way is to take a “bottom up approach”. Employees at Google for example get one “play day” per week, which they can use to work on their own ideas and initiatives. Even so, it is important to realize that informal approaches to innovation are generally only moderately successful. Research by the Boston Consulting Group shows that 79% of highly innovative companies have a good and digitalized innovation process, compared to only 29% of companies that rank as less successful in innovation (Boston Consulting Group, 2018).

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## Exploring the Market

The majority of innovation projects ultimately fail, often due to the same obstacles. These obstacles can be internal, such as a lack of support, resources, or fit between strategy and organization. There are also many external obstacles such as changing market conditions or availability of key resources. Finally, there are generally many judicial obstacles facing innovation projects, including patents and privacy laws like the GDPR. The Dutch author Gijs van Wulfen has identified 15 obstacles in his Innovation Maze. His maze offers a model that can help explore the various obstacles facing a potential innovation. As such, it is an excellent tool for project teams starting an innovation project.

## Develop the Business Case

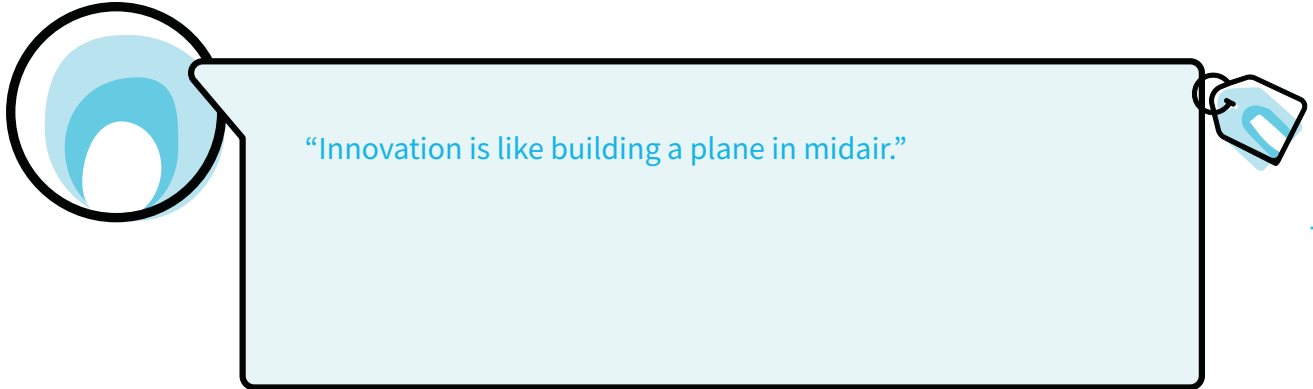
Having a solid and substantiated case for your innovation will help garner support within your organization. Also, by examining potential risks, you can reduce the impact of possible setbacks. Models like the Business Model Canvas (BMC) offer a simple framework for working out the most important aspects of your business case. Try to be as transparent and clear as possible about the corresponding timelines and investments. What will be the impact of the innovation failing? What will be the impact of your innovation being a success?

The world of golf is changing rapidly, and innovations play a pivotal role. Young people prefer to golf casually, without a club membership. Another trend are virtual golf courses. As the director of golf course Prise d’Eau, Hedwig Wassing constantly analyzes customer data and follows market trends for opportunities to innovate. Based on his insights, he believes that the golfing market will follow developments in the hospitality market, with large booking platforms such as Booking.com making their way to golf as well. For Hedwig, data is essential in coming up with and validating innovations.



## Validate Concept

Innovations have built in assumptions. Being able to test these assumptions in an early phase and adjusting accordingly increases the chances of success. No wonder then that methods such as the Design Sprint stress the importance of early validation. By validating early and often, you can filter out less valuable ideas, and ensure you spend your resources efficiently.



## Realize, Launch & Iterate Innovation

Once you actually start on the realization of your innovation, it helps to work iteratively and in short cycles. Try to build in as many opportunities for testing and validation as possible. It usually helps to set out partial deliveries that can be tested, for example in a user test or an A/B test. In this way, you can quickly identify further improvements. When innovating, speed is key in order to stay ahead of competitors. By working towards a minimum viable product, you can reduce the go-to-market time and quickly receive valuable feedback on your innovation. Agile methods such as Scrum are built around these principles, but even more traditional frameworks like Stage Gate stimulate evaluation at the end of every project phase. Make sure to prepare a go to market strategy, in which you think of the role the innovation will play in the market. Focus on how you can convince potential customers of the added value of your innovation.

### 3.2 Organizational Culture Decides the Route to Success

Startups are generally considered to be more innovative than corporates. Despite the limited scientific evidence for this belief, many companies choose to innovate by buying up promising startups. Some even set up startups themselves: specialized business units that offer resources and support to initiatives that are developed outside of the company. A well-known example in the Netherlands is the payment request service Tikkie, which was developed by a startup under auspices of the ABN AMRO bank. The dynamism of startups and the resources and expertise of large corporations offer a good combination for successful innovation. Even so, such setups are no guarantee that the full innovation potential of companies will be realized. That is why some companies like insurer Achmea also promote innovation within their own organization, as you can read in the case below.



On June 24 2016, a huge hailstorm ravaged Dutch greenhouses. Assessing the damage was time consuming, while the perishable nature of the crops makes speed crucial to limiting losses. That is why insurer Achmea decided to investigate ways in which they could speed up the assessment of storm damages through the use of drones and the automatic processing of images. Through their initiative, Achmea wanted to be a valued partner for their farmers by limiting damages and speeding up the remuneration of damages.

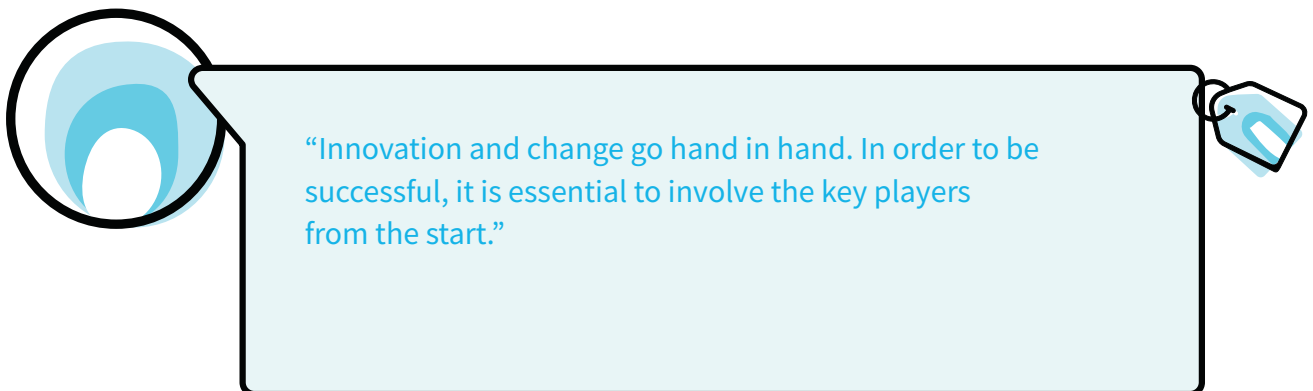
The clear business case and the involvement of experienced case handlers were key to the final success of the initiative. Achmea uses innovation managers in all of its divisions to coordinate innovation. Joland Puijenbroek, innovation manager at Achmea: “It is crucial to select the right team for your innovation. Involve people from every layer of your organization. This ensures you will have the right expertise on board and helps garner support within the wider organization.”

## 4. Ten Tips to Start Innovating!

Has our paper convinced you of the importance of innovation and would you like to start yourself? Here are ten important tips to make a flying start!

### Tip 1: Formulate your Vision and set Clear Goals

Although the temptation to just start developing an innovation may be considerable, the chances of success will be greater with a good preparation. First of all, consider the guiding vision for your innovations. Why does the company want to innovate? What does it hope to achieve through its innovations? What are the best opportunities and biggest challenges? Discussing these questions helps clarify the expectations of the various stakeholders involved. The answers to these questions will also help decide priorities. Should we go for an innovative new product, improve an existing product, or is innovating existing processes the right way to go?



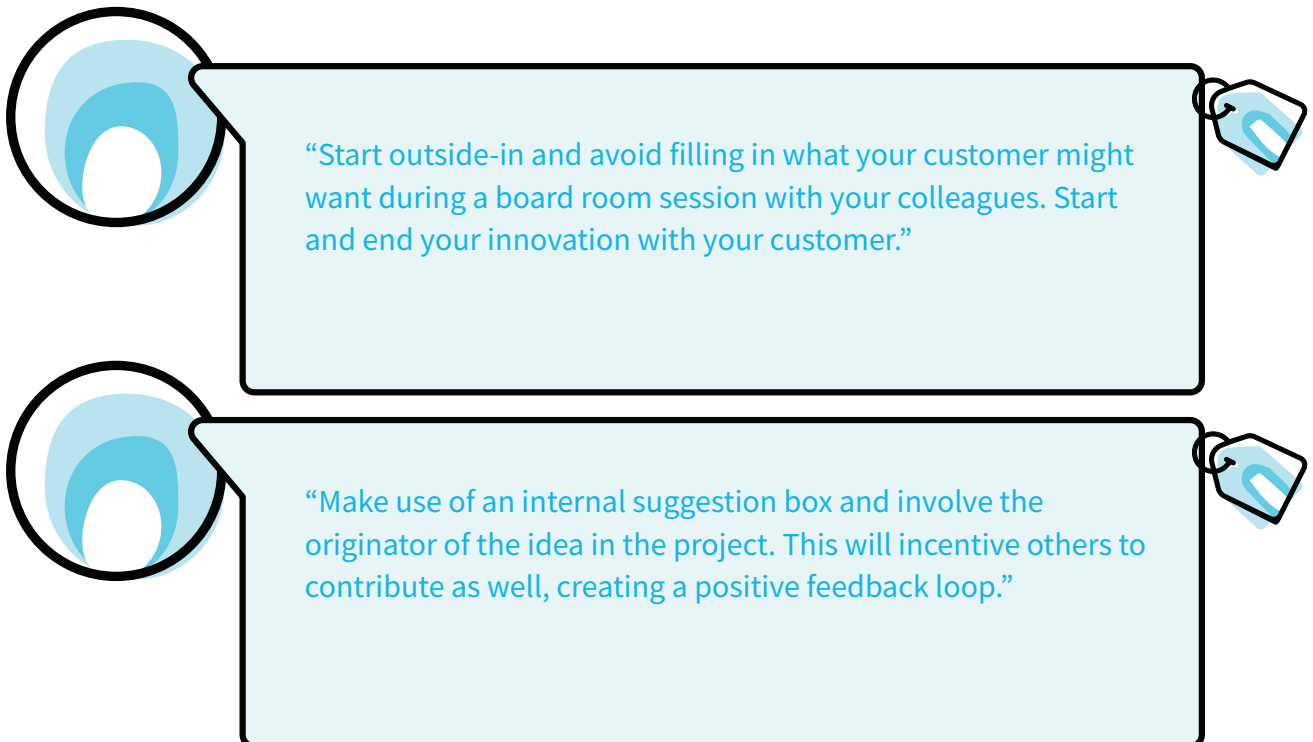
## Tip 2: Create an Innovation Funnel

Set up an innovation funnel in which you can place various (potential) innovations. You can then work these out at various points in time. Establish a number of steps and stages your innovations have to go through, with a clear go/no-go moment per stage. This will allow you to focus resources on the innovations with the greatest potential. The aforementioned six steps offer a useful template, to which you can add criteria for every step.

## Tip 3: Involve Employees, Vendors, Partners and Clients

Inspiration often springs from unsuspected sources. That is why you should invite as many employees as possible to suggest ideas for innovation. In addition, be sure to talk with vendors, clients and partners, and ask them for suggestions. Most of them will appreciate the request. Keep the people you ask for input updated on their suggestions, even if in the end their ideas didn't make the cut.

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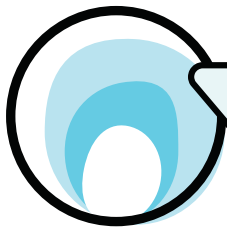
## Tip 4: Secure Sufficient Budget

Having a great idea is a good start. But without the required resources, ideas will never come to fruition. In practice, exploring the viability of an idea will already require some budget. Actual realization is even more expensive. No wonder securing budgets is one of the main challenges for innovation projects. Finance departments are often poised to avoid financial risks. This is contrary to the nature of innovation projects, which have no guarantee of success. A solution might be to agree fixed budgets for every stage in your innovation funnel. Doing so will make the maximum financial risk transparent and can help prevent your project getting shut down halfway through!



## Tip 5: Create a Winning Team

Technology often gets center stage when it comes to innovation, but innovation projects are run by people. That is why you should gather the right people on your team. As a rule, diverse teams perform better than teams made up entirely of tech experts. That is why you should aim for a multidisciplinary team with members from many different departments. Innovation takes hard work and perseverance, so be sure that the people you select are motivated and dedicated. What will also help your chances of success is a sponsor from higher management. Finally, though it may seem obvious, make sure that the people on your team have the time and focus to work on your innovations.



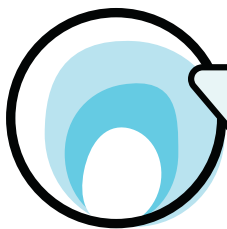
“It is crucial to foster support for your innovation and include coworkers from all layers of the organization. You will be surprised by the results!”



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## Tip 6: Set Clear Roles and Responsibilities

Make sure that the roles and responsibilities are clear. Who makes the decisions? To whom does the innovation team report, and how often? Innovation means taking difficult decisions based on incomplete information. By setting out responsibilities in advance, you can avoid dissent further down the road. Within the Agile/scrum framework it is the Product Owner who is responsible for aligning all stakeholders and maximizing the value of the final result.

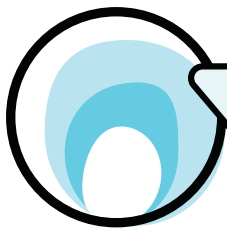


“Successful innovations, both big and small, are those innovations in which all stakeholders endorse the why and the what.”



## Tip 7: Work with Sketches and Prototypes and Validate

After a sound preparation, innovation usually comes down to courage and putting in the work. That is why you should aim to quickly turn your ideas into sketches and prototypes. The Design Sprint method is very useful for this. The idea is to take one week with your team to transform your ideas into a number of prototypes and validate these. That way you will be up to speed in no time! Once your team is working on an innovation, try to get client feedback as early and as often as possible. We often skip this step, as we assume to already know what our customers want. In reality, our assumptions are not always accurate. Use customer insights to focus on what truly delivers value to them.



“Innovation based on just an Excel-business case doesn’t work! Visualize innovations using prototypes and involve customers, partners and employees.”



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## Tip 8: Map Obstacles and Challenges

Make sure that your team thinks about possible obstacles, risks and challenges in advance. You will usually already have spent time on this writing up your business case, but it is a good idea to have your team think about these as well. Make sure you periodically reassess risks and challenges, as it is quite difficult to identify all risks in advance. That way you can prevent unpleasant surprises down the road! The aforementioned Innovation Maze is a great method to help you with this.

## Tip 9: Communicate About the Impact of your Innovation

Assess the impact of your innovation and who you need to inform at what point in time. Consider both internal communication as well as communication to customers and partners. Make sure you include communication in your go to market strategy. The actual launch or go-live of your innovation is a critical milestone that requires decent planning. By informing partners in a timely manner you will build understanding and engagement. Maybe you can even team up with a partner, for example by sharing data or through joint marketing!



When McGregor returned to the Dutch market in 2019, it quickly realized that close cooperation with partners would be crucial to success. That is why McGregor decided to share as much data as possible with their partners, allowing all parties to make informed decisions, for example when it comes to stock levels and logistics. McGregor calls this concept connected partnerships. Clearly a win-win situation!

### Tip 10: Set a Short but Realistic Go to Market Time

Do not postpone the launch of your innovation more than is strictly needed. One approach can be to work towards a Minimum Viable Product, the most basic version of your innovation that you can still release. Of course, you need to be realistic and make sure that your first version is indeed viable. This way you can quickly realize value and collect valuable feedback. Should it turn out that your idea was not as good as you thought, you will at least not have spent too much time on it. Even if your innovation is a success, there will no doubt be room for future improvements. Innovation is a never-ending cycle!





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