



Winnovation

BY ROWAN GIBSON

Innovating beyond the product

One of the problems with innovation is that, in any given industry, it can get harder and harder over time to come up with the kind of ideas that totally reinvent things in a fundamental and significant way.

Take any vector of innovation and you get to some point where you may have just exhausted the possibilities. Look at today's automobile. It's essentially based on the same architecture we've been using for a hundred years – a wheel at each corner, a steering wheel on one side, an engine at the front or back, a gearbox, and so forth. So innovation in the automobile industry has got to the point where the car is a little bit better here, a little bit better there, but it's the kind of stuff you hardly even notice. Apart, maybe, from the new hybrid motors which have been quite a breakthrough. But, again, if you look at the car as whole, the change is quite cosmetic.

The same has happened in mobile phones. Back in the nineties, companies like Nokia were producing some very distinctive phones. At the time, they were the most stylish, the easiest to use and so on. But over time, with so many companies joining the fray, and so much being outsourced to the same suppliers, almost every mobile phone you pick up is just a variation on the same theme.

So, in any given industry, you may get to a stage where you have to think about shifting the basis of differentiation away from the physical. That's why Lexus puts so much effort into innovating around the dealer experience. A lot of people couldn't honestly tell a Lexus from a Mercedes, so the company has decided to make the dealer a huge part of the differentiation. Because, **when everything else is the same, you have to innovate around whatever you have left.**

Take Rexam, the world's leader supplier of beverage cans. They've spent years looking at tin cans and trying to figure out where they can be innovative. And, of course, there are still one or two possibilities to do interesting things (i.e. resealable cans, different formats and sizes etc.), and every company needs to avoid getting blinded by its own orthodoxies. But, essentially, the beverage can hasn't changed its basic form for decades. So rather than it being the physical can itself, Rexam's basis for differentiation tends to come from all the stuff *around* the can – the parts of their business model that give them their unique advantage, particularly in terms of their global capability and the depth of their customer relationships.

Instead of thinking about innovation merely in terms of what you provide (i.e. your products and services), you should be looking at ways to innovate across the entire business model in an effort to meet important customer needs in unconventional ways.

For example, think about customer groups that you and your competitors may have been ignoring. Think about delivering what you provide in ways that would reinvent the customer experience – i.e. by making it easier or more enjoyable. Think about how you might break the dominant pricing paradigm in your industry. Ask yourself whether there any dimensions of differentiation which you and your competitors have not yet explored.

In other words, think about how you might be able to design your whole business model from the customer backward, looking at each and every component as an opportunity for innovation and competitive advantage. When you start to unpack your business model in this way, you will invariably discover lots of ways to dramatically redesign what you do – and how you do it – in order to create new value for the customer.

© Rowan Gibson 2007
www.rowangibson.com