

Ten Types of Innovation Framework



The Ten Types of Innovation Framework

- It is a useful tool you can use both to diagnose and enrich an innovation you're working on, or to analyze existing competition.
- It makes it especially easy to spot errors or missing dimensions that will make a concept stronger.

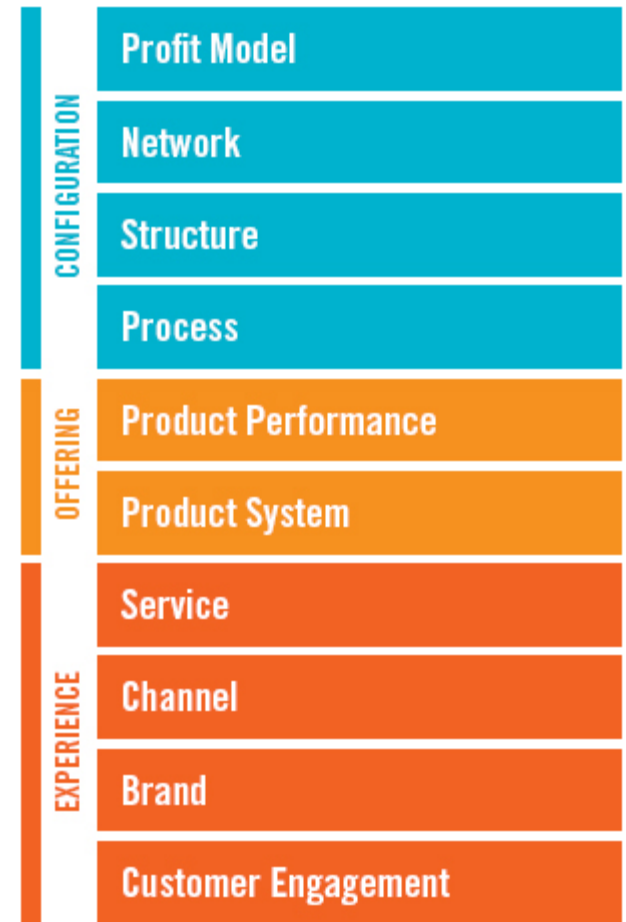
The Ten Types

- The Ten Types framework is structured into **three color-coded categories**.
- The types on the **left side of the framework** are the most internally focused and **distant from customers**
- As you move toward the right side, the types become increasingly **apparent and obvious to end users**.
- To use a theatrical metaphor, the left of the framework is **backstage**; the right is **onstage**.



The Ten Types of Innovation

- **Configuration:** These types of innovation are focused on the innermost workings of an enterprise and its business system
- **Offering:** These types of innovation are focused on an enterprise's core product or service, or a collection of its products and services.
- **Experience:** These types of innovation are focused on more customer-facing elements of an enterprise and its business system



The Ten Types

- *This is not a process timeline, nor does it imply sequencing or hierarchy amongst the types.*
- *Any combination of types can be present in an innovation, and innovators can start by focusing on any type in the framework.*



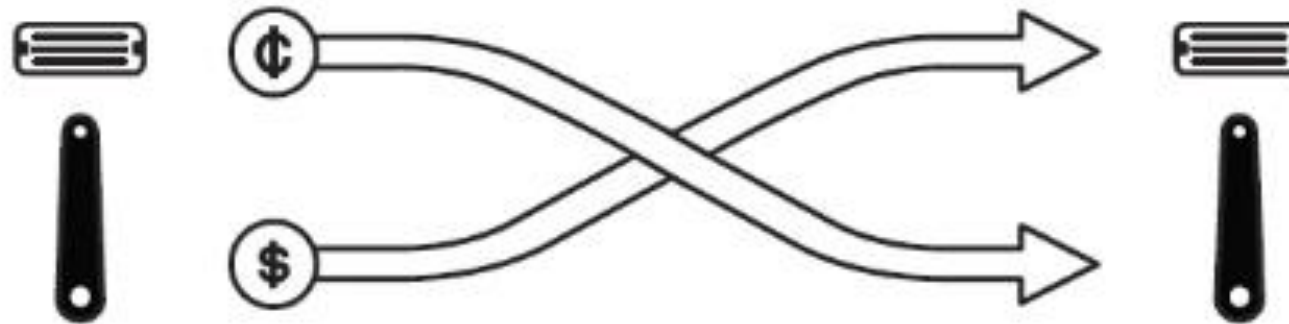
1. Profit Model:

How you make money

- **Innovative profit models** find a fresh way to convert a firm's offerings and other sources of value into cash.
- Great ones reflect a deep understanding of what customers and users actually cherish and where **new revenue or pricing opportunities might lie.**
- In most industries the **dominant profit model often goes unquestioned for decades.**
- Innovative profit models often challenge an industry's tired old assumptions about **what to offer, what to charge, or how to collect revenues.**

Profit Model Innovations

- The “razor and blades” profit model has been used for years and adapted to countless industries.
- The idea is simple—create an **installed base** by selling the **core** part of the system at **low cost (or even a loss)**, and then enjoy recurring revenue by selling the **disposable parts** at a **premium**.



“Razor and Blades” model



“Razor and Blades” model



Gillette Fusion Manual Razor

by [Gillette](#)

★★★★☆ (98 customer reviews)

List Price: ~~\$12.23~~

Price: **\$5.99** (\$5.99 / razor) & eligible
Shipping on orders over \$25.

You Save: **\$6.24 (51%)**



Gillette Fusion Manual Razor Cartridges (8 Cartridges)

by [Gillette](#)

★★★★☆ (132 customer reviews)

List Price: ~~\$28.99~~

Price: **\$23.70** (\$2.96 / cartridge)
Super Saver Shipping

[Details](#)

You Save: **\$5.29 (18%)**

The “razor and blades” profit model

- Offering a **lower price for the core product**
- But placing a **higher mark-up on captive products**
- The goal of this strategy is to attract customers to a product with a low price, then make a profit from the captive products necessary to use the product.
- Company also receives **licensing fees from companies** depending on the type of the captive product (e.g., game industry)

Amazon Kindle Fire

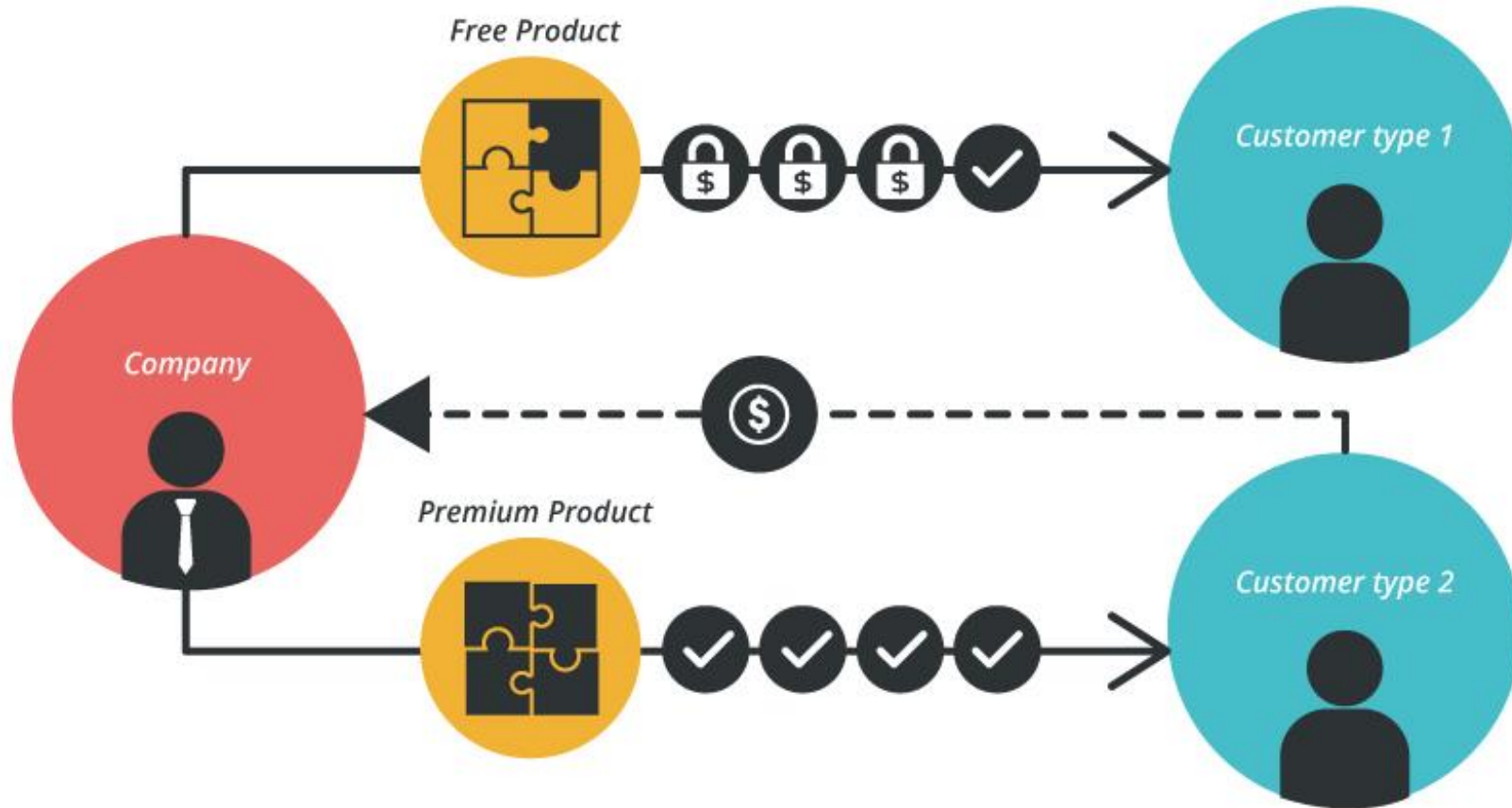
- Amazon sells the Kindle Fire at a loss because it makes so much money on digital content such as books, music, movie, etc.
- Amazon stands to earn about **\$136 in additional revenue** from every customer who bought a Kindle Fire.
- So while the hardware might appear to be a loss, overall the Kindle Fire is a win for Amazon's bottom line.



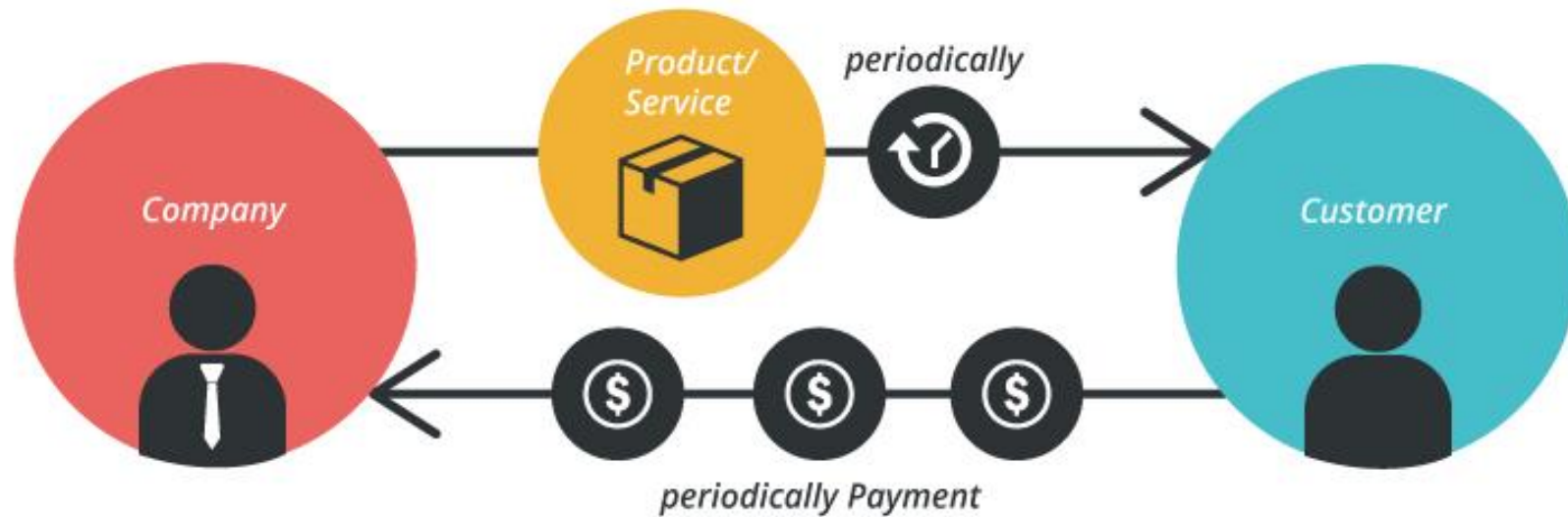
“Razor and Blades” model



Free / Freemium



Subscription



2. Network:

How You Connect with Others to Create Value

- In today's hyper-connected world, no company can or should do everything alone.
- Network innovations provide a way for firms to take advantage of other companies' processes, technologies, offerings, channels, and brands
- These innovations mean a firm can **utilize its own strengths while benefiting** from the capabilities and assets of others.
- Network innovations also help executives to **share risk in developing new offers and ventures.**
- These collaborations can be **brief** or **enduring**, and they can be formed **between close allies or even competitors.**



Natura

- The Brazilian cosmetics giant, Natura, has an internal R&D team of more than 250 employees
- Natura also has a sophisticated network of relationships with **25 universities worldwide**.
- Researchers contribute to an array of challenges in everything from **skin science** to **sustainable technology**.
- Nearly, **50% of the company's** product pipeline had come from its **open innovation** program.



LEGO

- **Lego Ideas**: Launched as an internal initiative to boost innovation within a company.
- Lego Ideas has successfully engaged **Lego's community of users** to help it generate new product ideas.
- Lego Ideas invites users to post their ideas for potential Lego products
- These ideas are then published on the platform for users to view and vote on ideas.
- Once an idea generates 10,000 views within a year, it qualifies for review by Lego.



UPS & Toshiba

- The two companies make an agreement on repairing customers' **broken Toshiba laptops at the** parcel service's shipping hubs.
- While partnering with a logistics firm is **probably not the most obvious** of choices for providing device repairs, the owners of Toshiba notebooks would benefit greatly from having **the choice of dropping off their laptops at any one of 3,300 UPS stores** around the US.
- This complementary partnership **cut down on service time for Toshiba**, and provided UPS with a new revenue stream.



Netflix Prize: Movie Recommender System

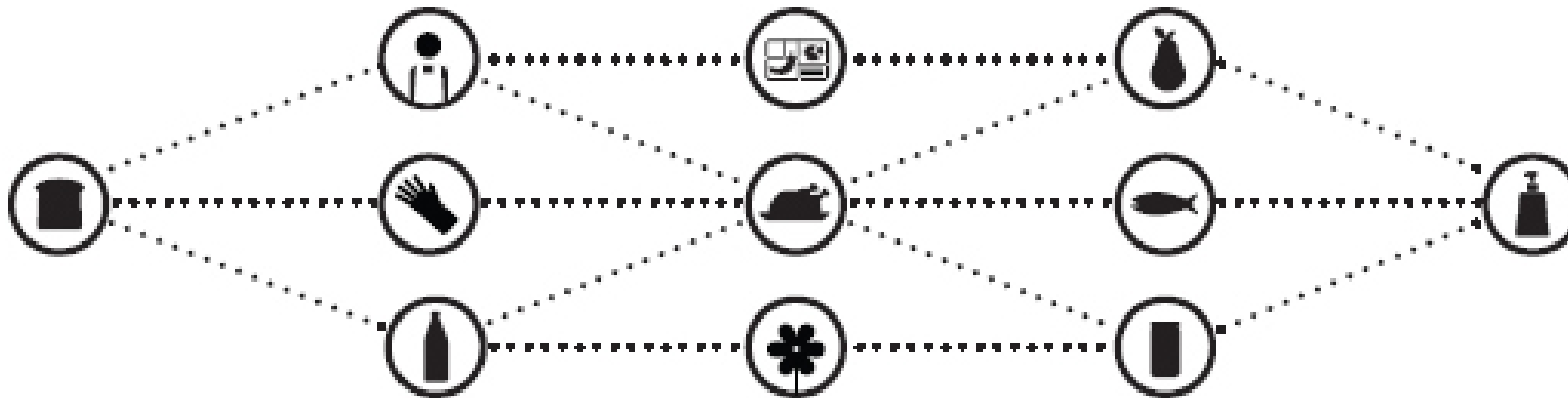
- Netflix's challenge for developers to come up with an algorithm to improve its movie recommendation engine.
- The competition was held by Netflix and was open to anyone.
- On September 21, 2009, the grand prize of US\$1,000,000 was given to the BellKor's Pragmatic Chaos team which bested Netflix's own algorithm for predicting ratings by 10.06%.



3. Structure:

How You Organize and Align Your Talent and Assets

- Structure innovations are focused on **organizing company** assets—hard, human, or intangible—in **unique ways that create value**.
- They can include everything from **superior talent management systems** to **smart configurations of heavy capital equipment**.



3. Structure:

How You Organize and Align Your Talent and Assets

- Ideally, such innovations **create productive working environments** or **foster a level of performance** that create **competitive advantage** for company
- **Structure innovations can be particularly difficult for competitors to copy**, because they typically entail significant organizational changes and/or capital investments—and so they often provide a foundation for success over many years.
- Good examples of Structure innovations include:
 - ✓ building incentive systems to encourage employees to work toward a particular goal,
 - ✓ standardizing assets to reduce operating costs and complexity
 - ✓ creating a corporate university to provide sophisticated, continuous training.

Whole Foods Market

(Management Style – Decentralization)

- Whole Foods is an American multinational supermarket chain. Teams are everything at Whole Foods; the company is well known for its radical **decentralization of management**.
- *Each store is composed of self-directed teams that manage departments with unusual autonomy—making decisions about what products to stock and how to display them. Importantly, each team also makes decisions about who to hire; joining a team requires two thirds of its current members' approval. Each store is measured as an independent line on the Profit & Loss statement, and each team within the store has very clear performance targets.*



Southwest Airlines

(Standardization of Assets)

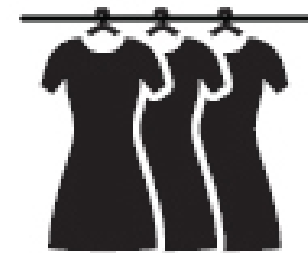
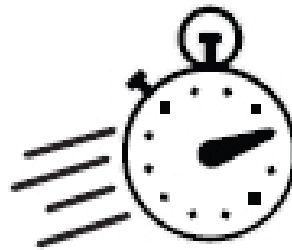
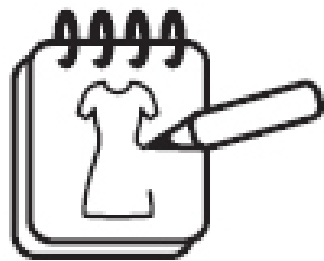
- Southwest flew **only one kind of aircraft**—the Boeing 737.
- In doing so, it **reduced service costs, streamlined operations**, and allowed teams to execute **fast turnarounds** at airport gates.
- Since airlines can only make money when planes are in the air carrying passengers someplace, all of these characteristics are critical to Southwest's low-cost strategy.



4. Process:

How You Use Superior Methods to Do Your Work

- Process **innovations involve the activities and operations** that produce an enterprise's primary offerings.
- Innovating here requires a dramatic change that enables the company to use **unique capabilities, function efficiently, adapt quickly, and build market-leading margins.**



4. Process:

How You Use Superior Methods to Do Your Work

- Process innovations often form the **core competency** of an enterprise and may include **patented or proprietary approaches that yield advantage** for years or even decades.
- Examples may include:
 - ✓ ***Lean production*** whereby managers reduce waste and cost throughout a system
 - ✓ ***Process standardization***, which uses common procedures **to reduce cost and complexity**
 - ✓ ***Predictive analytics***, which model past performance data to predict future outcomes—helping companies to design, price, and guarantee their offerings accordingly.

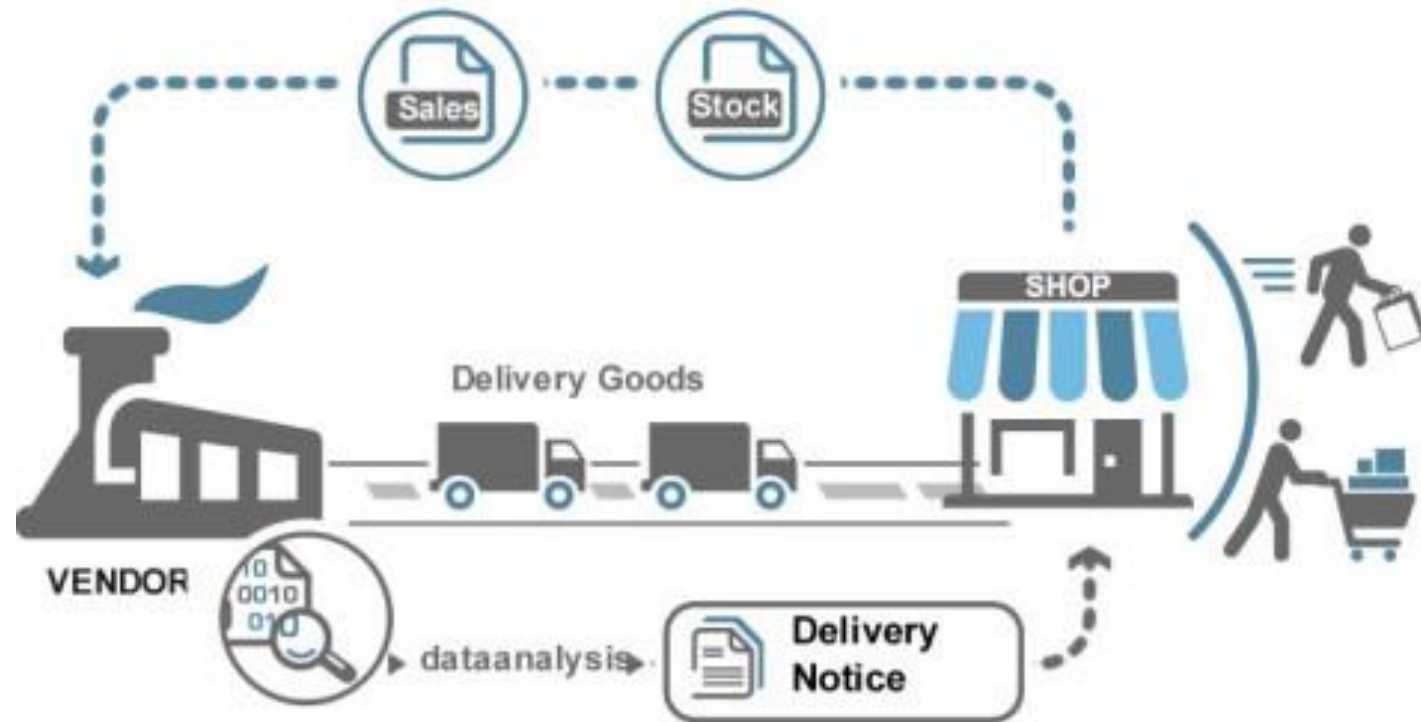
IKEA

- IKEA developed **flat-pack** furniture with **no variation by region or country**.
- Its products included **the same hardware and instructions** regardless of where they were purchased, thus helping to streamline the company's internal production processes.



Walmart

Very efficient and effective product replenishment system



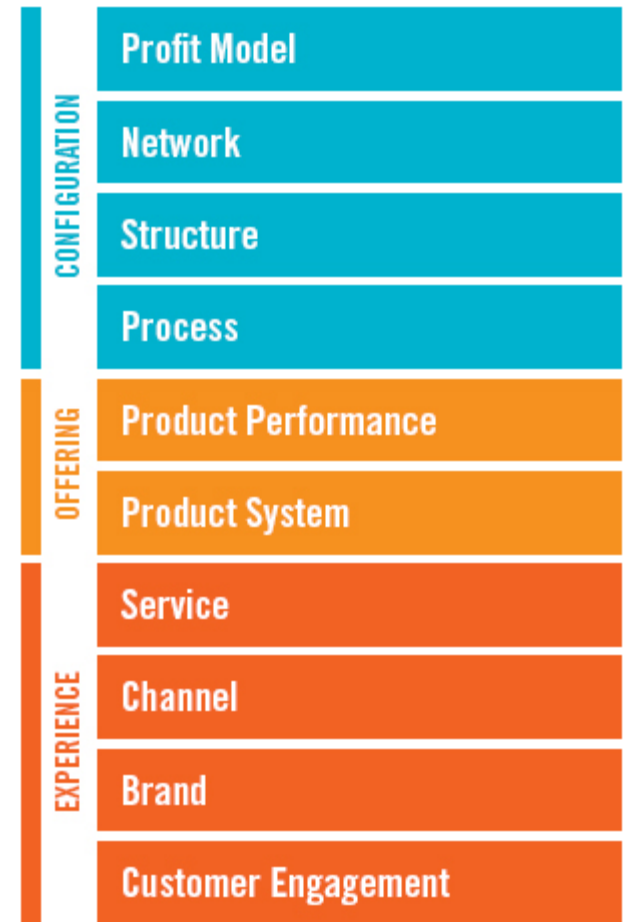
Toyota

- The car maker's famous “lean” production system reduced waste and excess, driving astonishing efficiency and continual product and process improvements throughout the company.



The Ten Types of Innovation

- Offering: These types of innovation are focused on an enterprise's core product or service, or a collection of its products and services



5. Product Performance:

How You Develop Distinguishing Features and Functionality

- Product Performance innovations address the **value, features, and quality** of a company's offering.
- This type of innovation involves both **entirely new products (radical innovations)** as well as **updates and line extensions (incremental innovations)** that add substantial value.
- It's always worth remembering that **it's often the easiest for competitors to copy.**

5. Product Performance:

- Product Performance innovations **can delight customers** and drive growth.
- Common examples of this type of innovation include:
 - ✓ **simplification** to make it easy to use an offering
 - ✓ **sustainability** to provide offerings that do no harm to the environment
 - ✓ **customization** to tailor a product to an individual's specifications.
- Product Performance innovations that deliver **long-term competitive advantage are the exceptions**
 - ✓ **Think about any product or feature war you've witnessed**—whether performance of automobiles, toothbrushes that are easier to hold and use, etc.

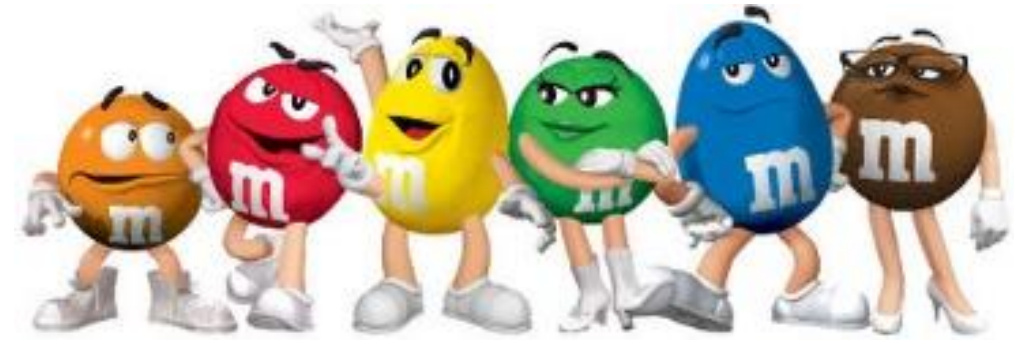
Dyson

- The Dual Cyclone technology featured in Dyson's first vacuum took 15 years—and over 5,000 prototypes—to launch.
- It included an innovative transparent, bag-free design that showed people exactly how much dirt was being sucked up off their floor.
- Within 22 months, it had become the best-selling vacuum in the UK.



M&M's

- In 2004 M&M'S Chocolate launches My M&M'S – the new online service allows consumers to design their own **customized message** on M&M'S Chocolate Candies.
- In 2008, the launch of "FACES" allows customers to **upload personal images** and logos to their personalized candies.



Nutella

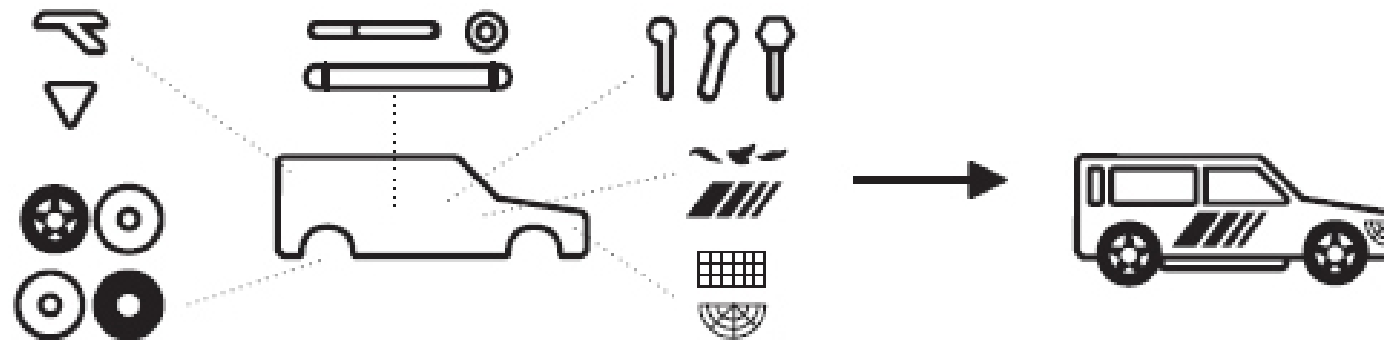
Custom names on Nutella products. Users can also submit requests for names by using mobile app.



6. Product System Innovation:

How You Create Complementary Products and Services

- Product System innovations are rooted in how individual **products and services connect or bundle together** to create a robust and **scalable system**.
- This is fostered through **interoperability, modularity, integration**, and other ways of creating valuable connections between otherwise **distinct and disparate offerings**.
- Product System innovations help you build **ecosystems** that **captivate and delight customers** and **defend against competitors**.



6. Product System Innovation:

- *Product bundling*, or taking several related products and selling them in a single package, is a common example of a Product System innovation.
- Technology companies in particular have used this type of innovation to *build platforms that encourage others to develop products and services for them*
 - ✓ App stores, Software Development Kits (SDK), and APIs.
- Other Product System innovations include *extensions* to existing products, *product and service combinations*, and *complementary offerings*—which individually work just fine on their own, but are far better together.

Microsoft

- Initially, the programs that went into MS Office were offered as individual products.
- Now bundled together, the integrated system became a **productivity suite** widely used by businesses worldwide.



Mozilla

- Firefox, a web browser built on an **open-source platform** allowing independent developers to make hundreds of discrete plug-ins. In 2012, more than 450 million people around the world used Firefox.



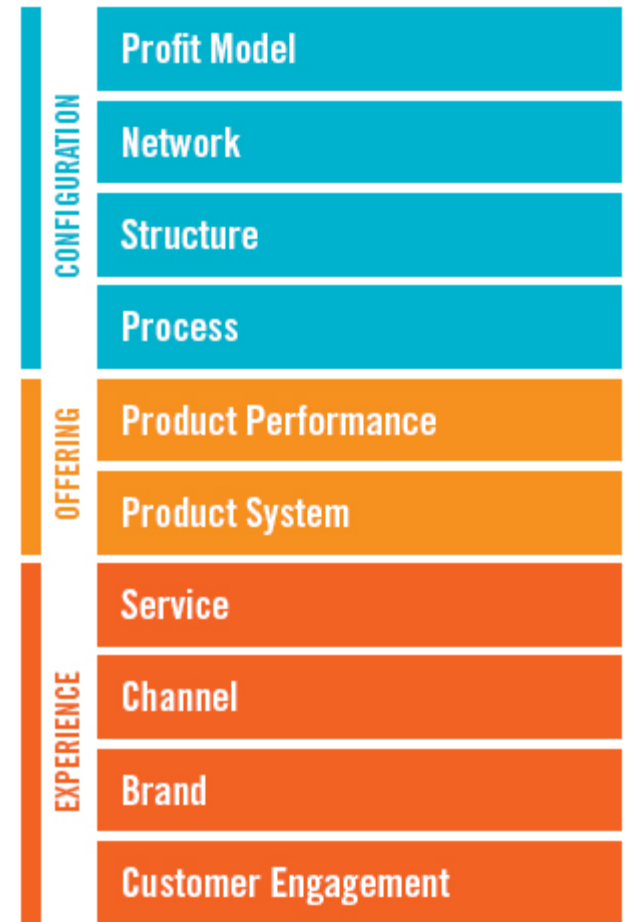
Oscar Mayer

- “Lunchables” are packs of crackers, meats, cheeses, and desserts **also sold separately** by Oscar Mayer (food company in USA). This makes school lunches easy for parents to pack, and fun for kids to eat.



The Ten Types of Innovation

- Experience: These types of innovation are focused on more customer-facing elements of an enterprise and its business system



7. Service:

How You Support and Amplify the Value of Your Offerings

- Service innovations **ensure and enhance the utility, performance, and apparent value** of an offering.
 - ✓ They make a product **easier to try, use, and enjoy**.
 - ✓ They **reveal features and functionality** customers might otherwise overlook
 - ✓ They **fix problems** and smooth rough patches **in the customer journey**.
 - ✓ They elevate average products **into compelling experiences** that customers come back for again and again.



7. Service

- Common examples of Service innovations include:
 - ✓ product use enhancements
 - ✓ maintenance plans
 - ✓ customer support
 - ✓ information and education
 - ✓ warranties & guarantees.
- Service can be the **most striking and prominent part of the customer experience**, or an **invisible safety net** that customers sense but never see.

Zappos

- Zappos' customer service reps are **empowered to do just about anything they need to do** to ensure users have a good experience.
- This includes **sending customers flowers or spending hours on the phone** to ensure they find exactly the right products.
- When Zappos finds itself out of stock of a needed item, its reps will famously order the product from a competitor and ship it overnight to ensure it arrives on time.
- Amazon thought this tremendous Service appeal was worth \$1.1 billion when it acquired Zappos in 2009. The company now generates annual gross sales of over \$1 billion annually.



Hyundai

- Launched in the middle of the severe recession in 2009, the “Assurance” program guaranteed that customers who bought or leased a new Hyundai vehicle **could walk away from both the car and its payments** if they lost their job during the first year of ownership.



Men's Wearhouse

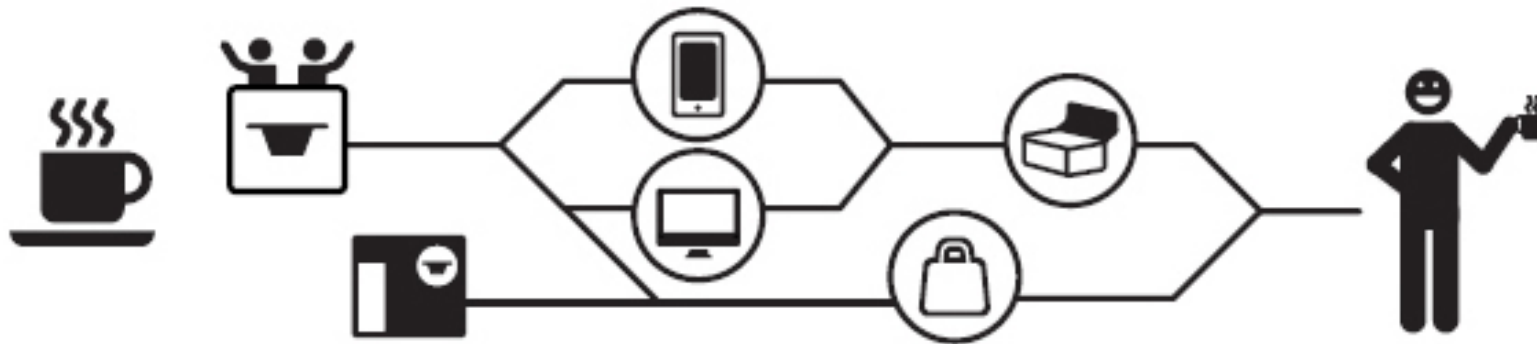
- The men's apparel company promised **free lifetime pressing of any purchased suit, tuxedo, sport coat, or slacks** at any of its locations in the United States.
- This was added value that was perfect for business travelers (and those who hate ironing).



8. Channel Innovation:

How You Deliver Your Offerings to Customers and Users

- Channel innovations encompass **all the ways that you connect your company's offerings with your customers.**
- Skilled innovators in this type often find **multiple but complementary ways to bring their products and services to customers.**
- Their goal is to ensure that users **can buy what they want, when and how they want it, with minimal effort** and cost and maximum delight.



8. Channel Innovation

- Channel innovations are particularly sensitive to industry context and customer habits.
 - ✓ *Flagship stores* can be an extremely valuable Channel innovation, creating signature venues that showcase a firm's brand and offerings. It is the lead store in a retail chain. It acts as a showcase for the brand.
 - ✓ *Pop-up stores* may be useful for a short, sharp splash at the holidays.
 - ✓ *Selling directly* through e-channels or other means can reduce overhead costs, maximizing margins and cost advantage.
 - ✓ *Indirect distribution or multi-level marketing*, either of which recruits others to shoulder the burden of promoting and/or delivering an offering to the end customer.

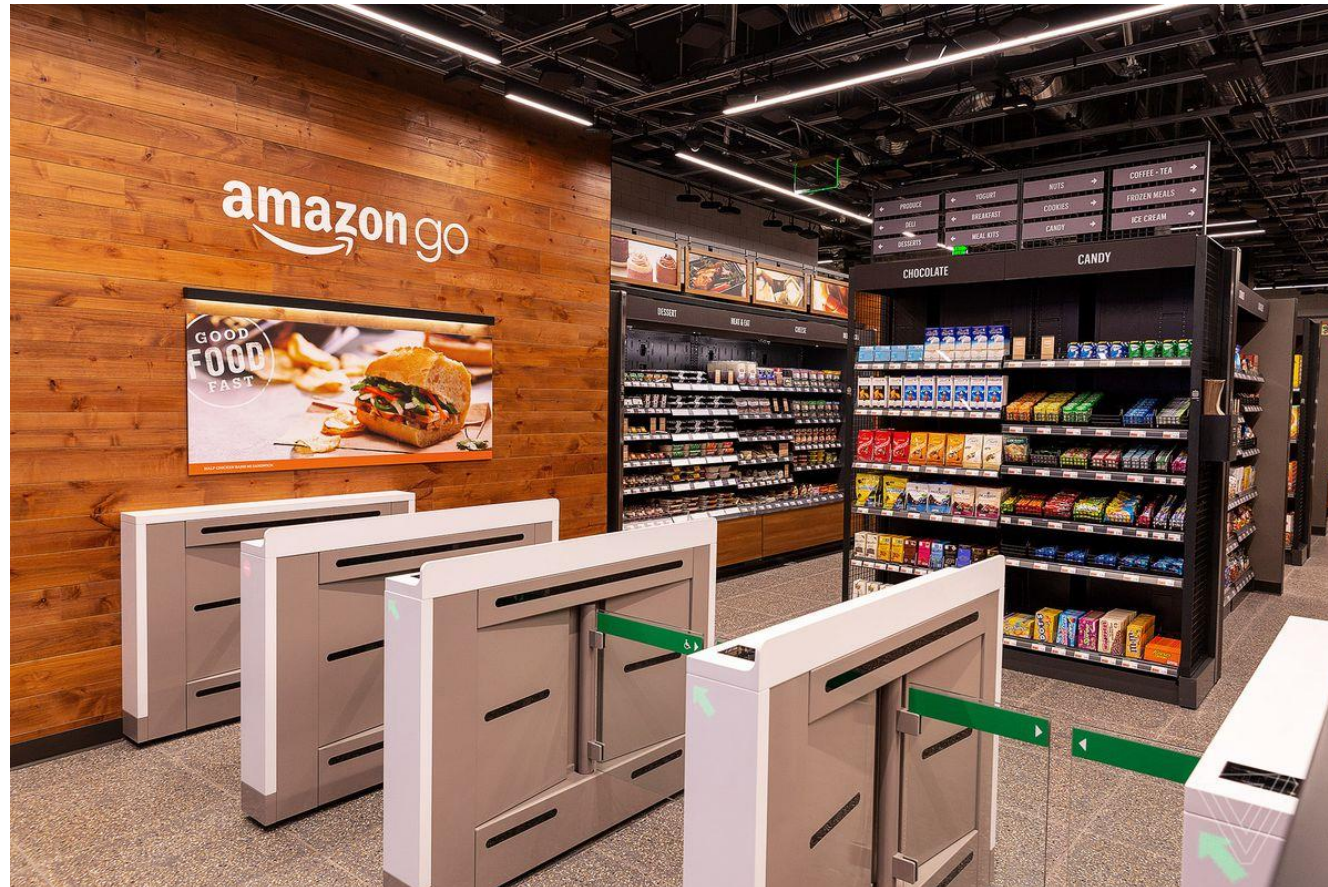
NIKETOWN

- NIKETOWN stores were primarily designed to provide an immersive, impressive experience to shoppers.
- Stores often include treadmills so that runners can put shoes through their paces.
- Employees are hired for their athleticism—one recent hire in the Chicago store had played professional basketball.

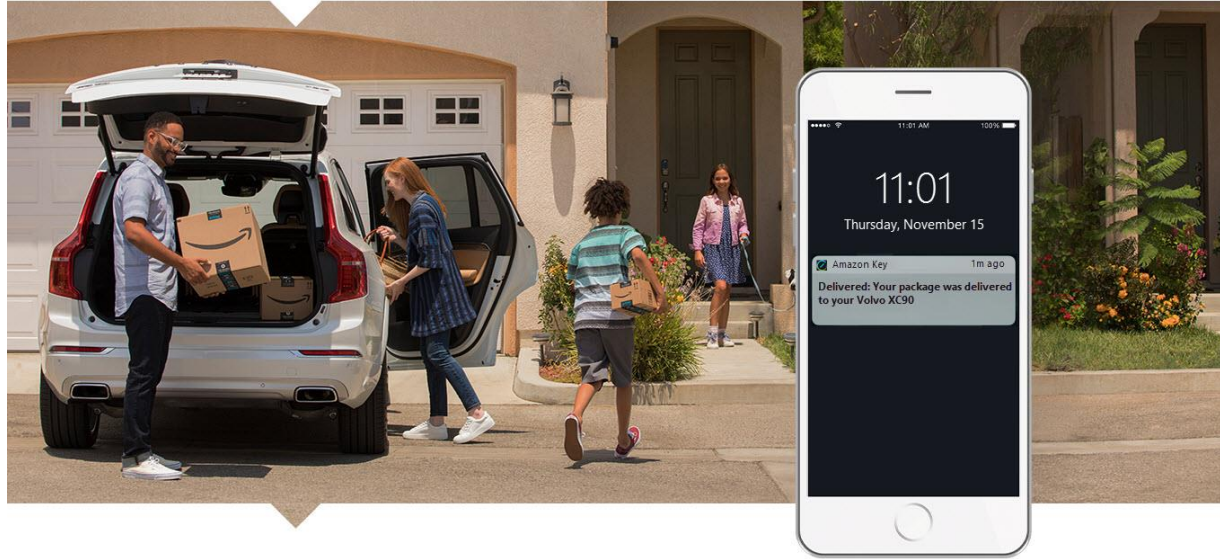


Amazon GO

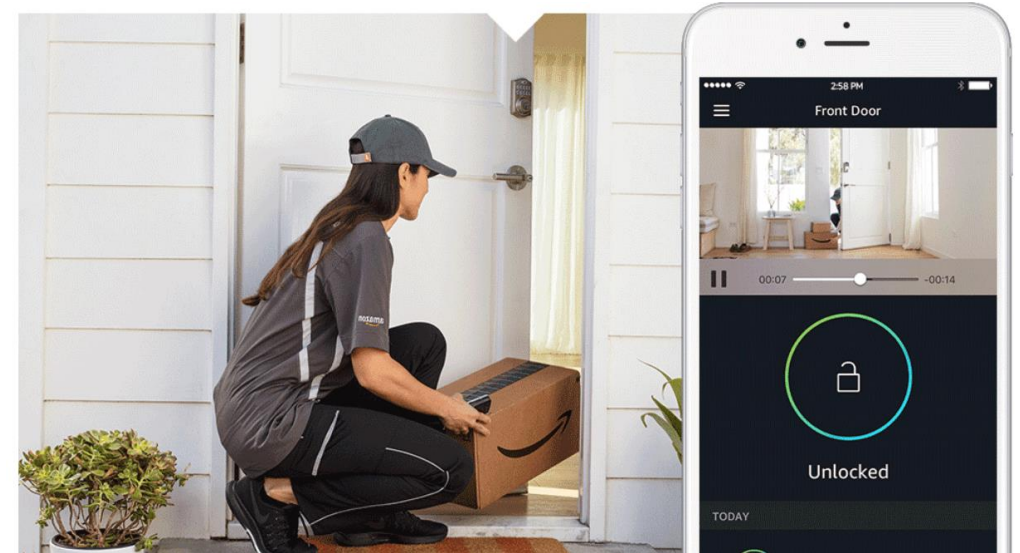
Checkout-free shopping: the world's most advanced shopping technology so you never have to wait in line.



Amazon Key In-Car Delivery



Amazon Key Home Delivery



Drone Delivery



9. Brand:

How You Represent Your Offerings and Business

- It is about how well you position your brand in the mind of consumers.
- Brand innovations help to ensure that customers recognize, remember, and prefer your offerings to those of competitors.
- This process involves carefully crafted strategies that are implemented across many touchpoints between your company and your customers, including communications, advertising, service interactions, channel environments, and employee and business partner conduct.
- Brand innovations can transform commodities into prized products, and confer meaning, intent, and value to your offerings and your enterprise.



Intel

- The “**Intel Inside**” brand elevated the branding of the company’s processors.
- The “Intel Inside” brand increased the perceived value of any product showing the Intel brand over alternatives.



Share a Coke

- In 2014, it launched its "Share a Coke" campaign where it labeled its bottles, with the most popular names.
- Consumers were encouraged to find bottles with names that held personal meaning to them, share them with friends and family, then tweet about their experiences, using the hashtag #ShareaCoke.
- By this way, the company further increased the perceived value of its brand.



10. Customer Engagement:

How You Foster Interactions with Customers

- Customer Engagement innovations are all about **carefully understanding needs and wants of customers**, and using those insights to **develop meaningful connections between them and your company**.
- Great Customer Engagement makes customer **interaction with company more memorable, fulfilling, and delightful**.
- Increasingly, we see these innovations taking place in the **social media space**, as many companies **move away from “broadcast” communications** toward delivering **more organic, authentic, and mutual interactions**.
- However, technology is only a tool. Even **simple gestures** like elegant and **intuitive packaging** can extend and elevate the experience customers have with a company.

Starbucks

- By writing your name on the cups and calling you by your first name, Starbucks remove the barrier that separates you from the stranger which is the company in this case.
- By this way company makes you to come and make additional purchases.
- How many times have you seen people sharing pictures of their Starbucks cups with their names on it?



Starbucks' marketing conspiracy is genius. Workers are purposely spelling the names wrong so the consumer will post their Starbucks misspelled cup on social media. They are getting us consumers to be their free advertising media and it is working.

Foursquare

- “Mayorships” are granted to users who most regularly “check into” specific locations using this geo-based service.
- The ensuing battle for status and recognition has led to heated competition among consumers.
- Badges are often used to encourage user participation (consumption, usage) by recognizing and awarding the contributions of participants.

