CHAPTER 5

INNOVATION STRATEGIES

5.1 FIRST MOVERS VERSUS FOLLOWERS

The concept known as the "first-mover advantage" encapsulates this strategy, referring to the distinct competitive benefits a business obtains by being the first to introduce a product, service, or technology to the market. Of course, the gains you get depend on factors such as the nature of the industry, the novelty of the concept, and the execution strategy employed by the pioneering entity.

Google was not the first search engine to exist, it was the first to implement an effective system for ranking web pages based on relevance and popularity, revolutionising the online search process. This transformative approach allowed Google to maintain the lion's share of the market. Today, the term "Google" has virtually become synonymous with online search, representing an outstanding example of first-mover advantage.

5.1 FIRST MOVERS VERSUS FOLLOWERS

In innovation circles, the first option is often called the “First-Mover”, whereas the second is called a “Fast Follower.

The first-mover advantage refers to an advantage gained by a company that first introduces a product or service to the market. The first-mover advantage enables a company to establish strong brand recognition and product/service loyalty before other entrants to the market.

Remember when Amazon only sold books? They became the first major online bookseller.

Amazon created the first online bookstore, which was immensely successful. By the time other retailers established an online bookstore presence, Amazon had achieved significant brand recognition and parlayed its first-mover advantage into marketing a range of additional, unrelated products.

- When Apple unveiled the first iPhone in 2007, they changed the mobile phone landscape for the first time — and they changed it for good. In 2008, HTC became the first manufacturer to make Android devices and other brands followed.

- However, it is essential to note that being the first mover, while providing substantial advantages, does not guarantee unending success. The company must also effectively utilise its leading position, continually innovate, and adapt to changing market conditions to sustain its advantage.

- On the other hand, a first mover cannot be sure that customers will embrace its offering, making a first move inherently risky.

Examples

- Uber

5.2 THREE TYPES OF INDUSTRIES AND THEIR CHARACTERISTICS

- **Emergent industries** are newly created or newly recreated industries formed by product, customer, or context changes. Information on the products and industry participants are often limited, so demand tends to be unclear.
- **Growing industries** exhibit moderate revenue growth and have moderate stability and uncertainty. Consumers in the new industry have come to understand the value of the new offering, and demand grows rapidly.
- **Mature industries** The maturity phase begins with a shakeout period, during which growth slows, focus shifts toward expense reduction, and consolidation occurs. have slow revenue growth, high stability, and intense competitiveness

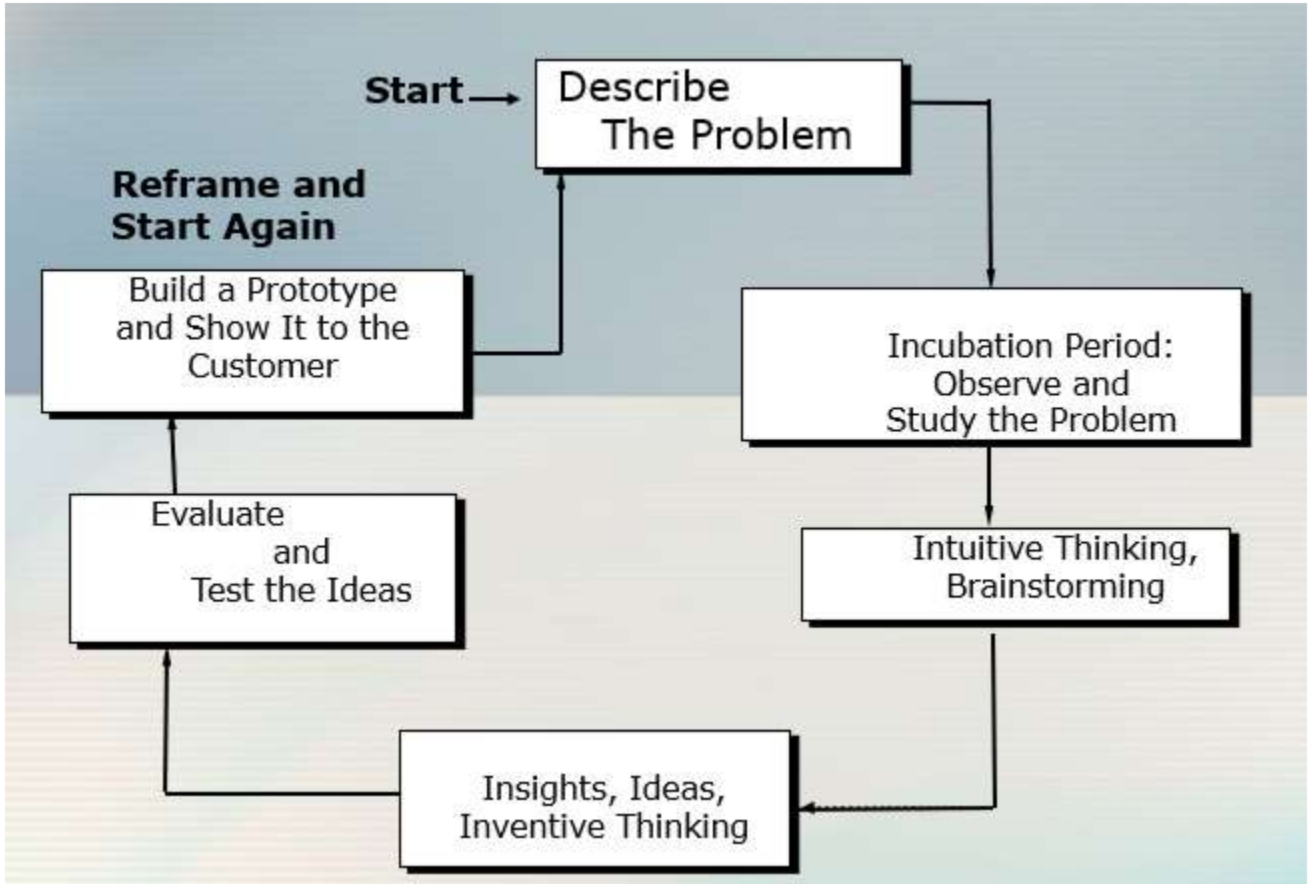
CHARACTERISTICS	TYPE OF INDUSTRY		
	Mature	**Growing**	**Emergent**
Revenue Growth	Slow	Moderate	Potentially Fast
Stability	High	Moderate	Low
Uncertainty	Low	Moderate	High
Industry Rules	Fixed	Fluid	Unestablished
Competitiveness	High	Moderate	Low or None

5.2 CREATIVITY

Creativity is the ability to use the imagination to develop new ideas, new things, or new solutions.

It is the act of producing a new, useful idea, approach or action. Creativity is not just to think out of the box but to imagine that there is no box! Creativity involves the development of unique or novel responses to problems and opportunities such as e-ticketing and ebanking.

5.3 CREATIVITY PROCESS



5.4 INNOVATION

Innovation is the manner in which the entrepreneur searches for new opportunities or presents it in a way that turns ideas into profits. The test on innovation lies in its success in the marketplace of ideas, rather than in its novelty alone. Innovation is the process of transforming creative ideas into useful products, services or methods of operation. In other words, innovation allows you to commercialize invented products. Therefore, innovation can take place in many aspects of business like:


Innovation

a) **New products** like smartphones, air purifiers

b) **New production methods** like pre-packaged sandwiches

c) **New markets** like Snickers/Mars ice cream

d) **New organisational structures** like Dell

e) **New sources of supply** like drop shipping

f) **New way of doing business** like connecting all products and services under one application viz. Swiggy, Ola etc.

5.5 MEASURING INNOVATION: IT CAN BE MEASURED IN DEGREES

a) Imitation: Least degree of innovation. Takes another's idea and replicates it in a different market. For example (Smart Watch and Smart water bottle)

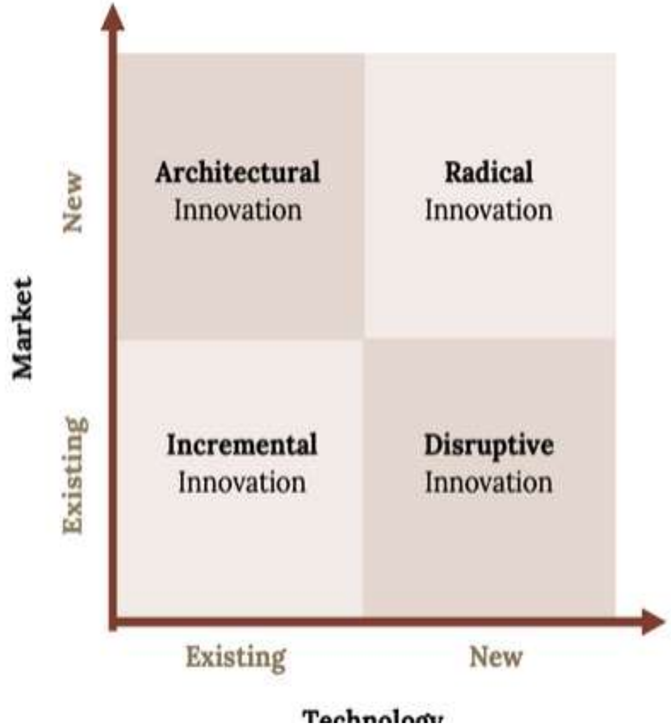
b) Incremental: Moderate degree of innovation. Takes existing offer and makes it better in quality, speed, and in affordability. This is also known as evolutionary or continuous innovation.

c) Radical: Greatest degree of innovation. Rejects the existing way and creates a completely different way of doing business. Also known as revolutionary, trans-formative or a paradigm shift.

5.6 TYPES OF INNOVATION

Innovation can be classified into four types:

1. Incremental Innovation
2. Disruptive Innovation
3. Architectural Innovation
4. Radical Innovation



The type of innovation is dependent on two factors:

- **Market –** does the innovation create a new market, or address the existing market?
- **Technology –** does the innovation use a new technology or an existing technology?

1. INCREMENTAL INNOVATION

Incremental innovation can be described as making improvements on an existing product or service. The improvements are based on using existing technology and are directed at the existing market. In the automobile industry, the improvements made each year to the newest model of car are incremental innovations. No new markets are formed, and existing technology is used to make the car better.

Incremental innovation occurs when the innovation uses existing technology to improve a product or service that addresses the existing market.

When Gillette went from a single razor blade to a double blade, to now up to six blades, no new markets were created, as the same consumers are buying the blades. There was no new technology involved, so this is incremental innovation.

2. DISRUPTIVE INNOVATION

Some firms have the opportunity to shake up their industry by introducing a disruptive innovation—an innovation that conflicts with, and threatens to replace, traditional approaches to competing within an industry. Disruptive innovations occur when firms introduce offerings that are so unique and superior that they threaten to replace traditional approaches

Disruptive innovation occurs when a new product or service engages the existing market with a new technology.

1. Digital cameras disrupted the photography industry by offering instant gratification and eliminating the cost of getting film developed. Excellent cameras on cell phones have since disrupted the digital camera industry.
2. LED lights are a newer technology that have been disrupting and replacing incandescent lights by selling to the existing market.

3. ARCHITECTURAL INNOVATION

Architectural innovation occurs when new products or services use existing technology to create new markets and/or new consumers that did not purchase that item before.

Firms can innovate by using and adapting existing technology to create new products or services that address new markets and consumers. This type of innovation is called Architectural Innovation, since the architecture of a product is changed to create a new product to reach new markets.

Copiers used to be large and expensive machines purchased only for large offices. Canon and others reconfigured these copiers to be small and usable on desktops, creating a whole new market of people buying personal copier/printers.

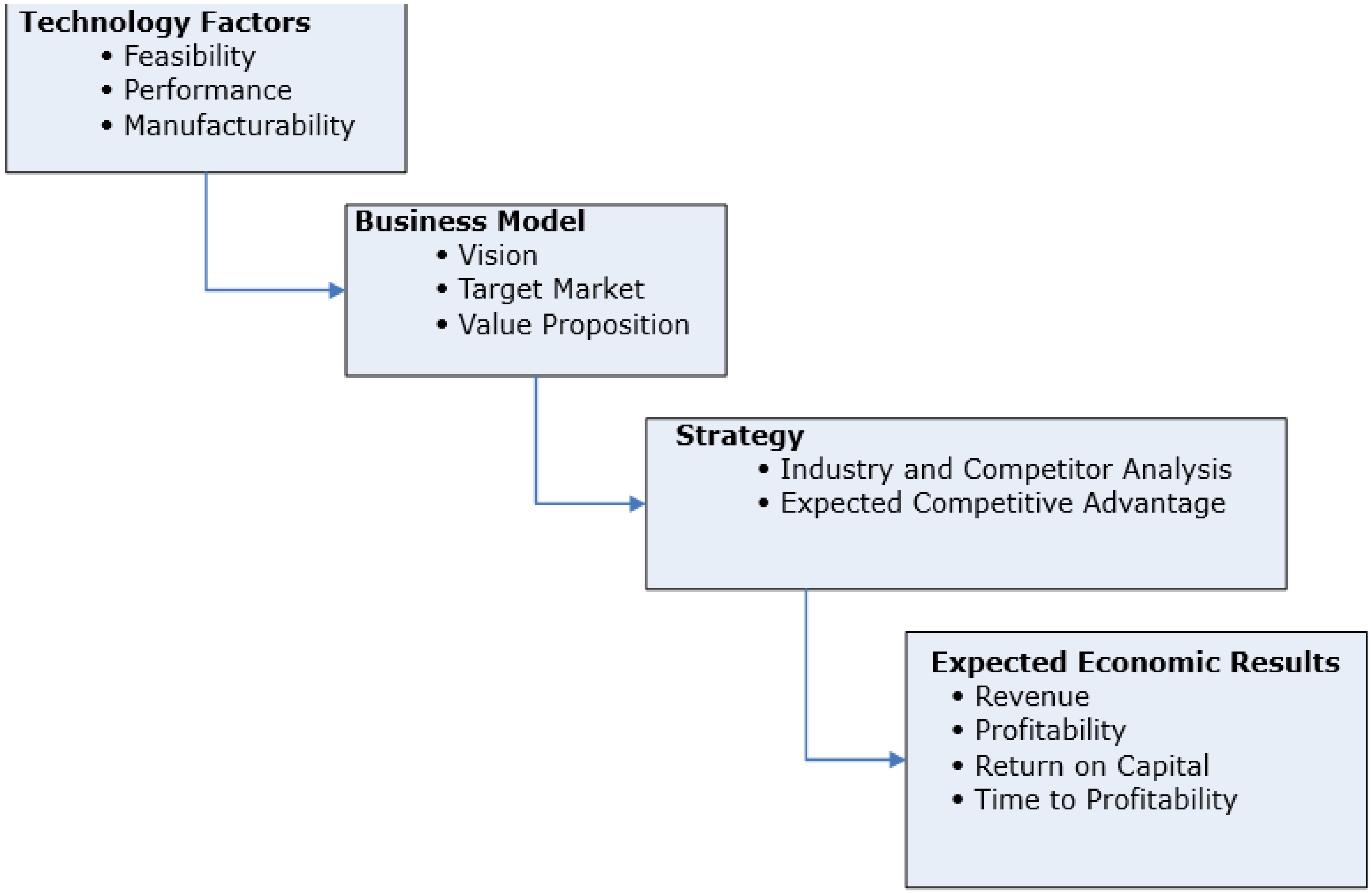
4. RADICAL INNOVATION

When new products or services are developed using new technology that open up new markets, the result is called radical innovation.

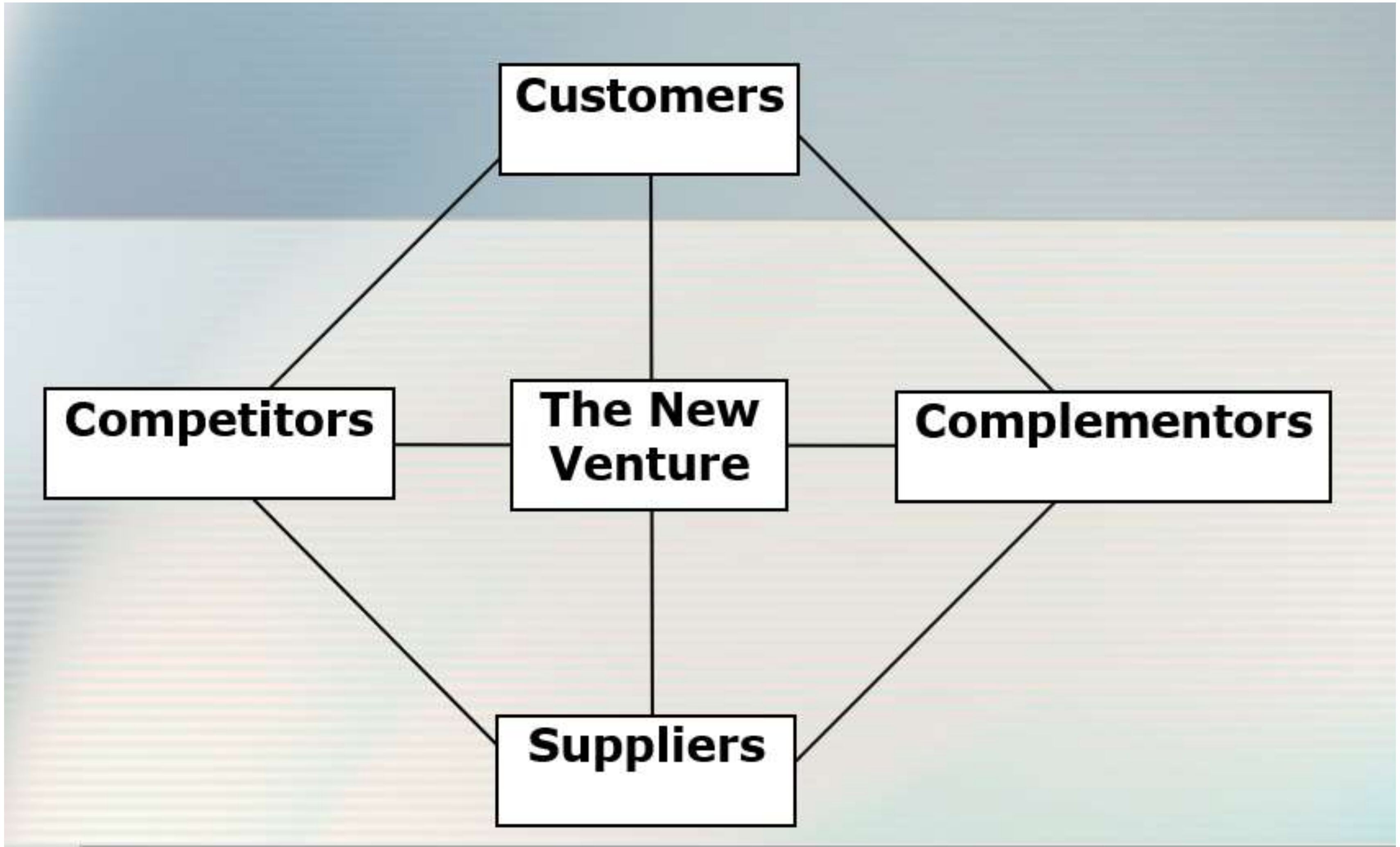
Innovation that uses new technology to reach new consumers is radical innovation. Firms who are successful with a new product of service using radical innovation may then employ a strategy of incremental innovation to continually improve the product or service and generate more sales.

Pharmaceutical researchers often produce a new product that is radical innovation. They come up with a new combination of chemicals to treat a medical condition that attracts new buyers.

THE FOUR STEPS TO ACHIEVE A FAVORABLE TECHNOLOGY INNOVATION.



THE VALUE NETWORK



PRINCIPLE

An innovation strategy builds on creativity, invention, and technologies, acting within a value network, to effectively commercialize new products and services for its customers.