

# How to analyze:

market  
saturation

customer  
needs

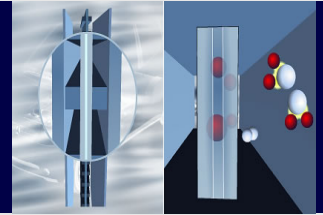
**innovation  
potential**

production  
costs

management

Niclas Störmer & Matthias Görtz  
**Innovation, change and  
decision-making in  
international organisations**  
Prof. Beneke

# Structure



## **The Difficulty of Innovating**

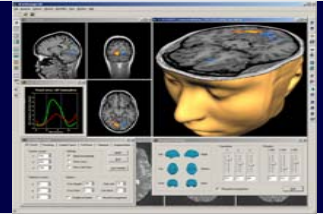
- The importance of innovations
- Facts & figures on today's innovations
- Possible improvements

## **Early Monitoring**

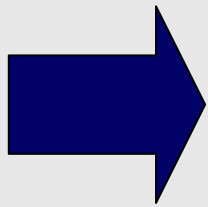
- How can the i-process be improved?
- Analyzing innovative ideas
- Evaluating an innovations potential

## **Conclusion & Discussion**

# Importance of innovations

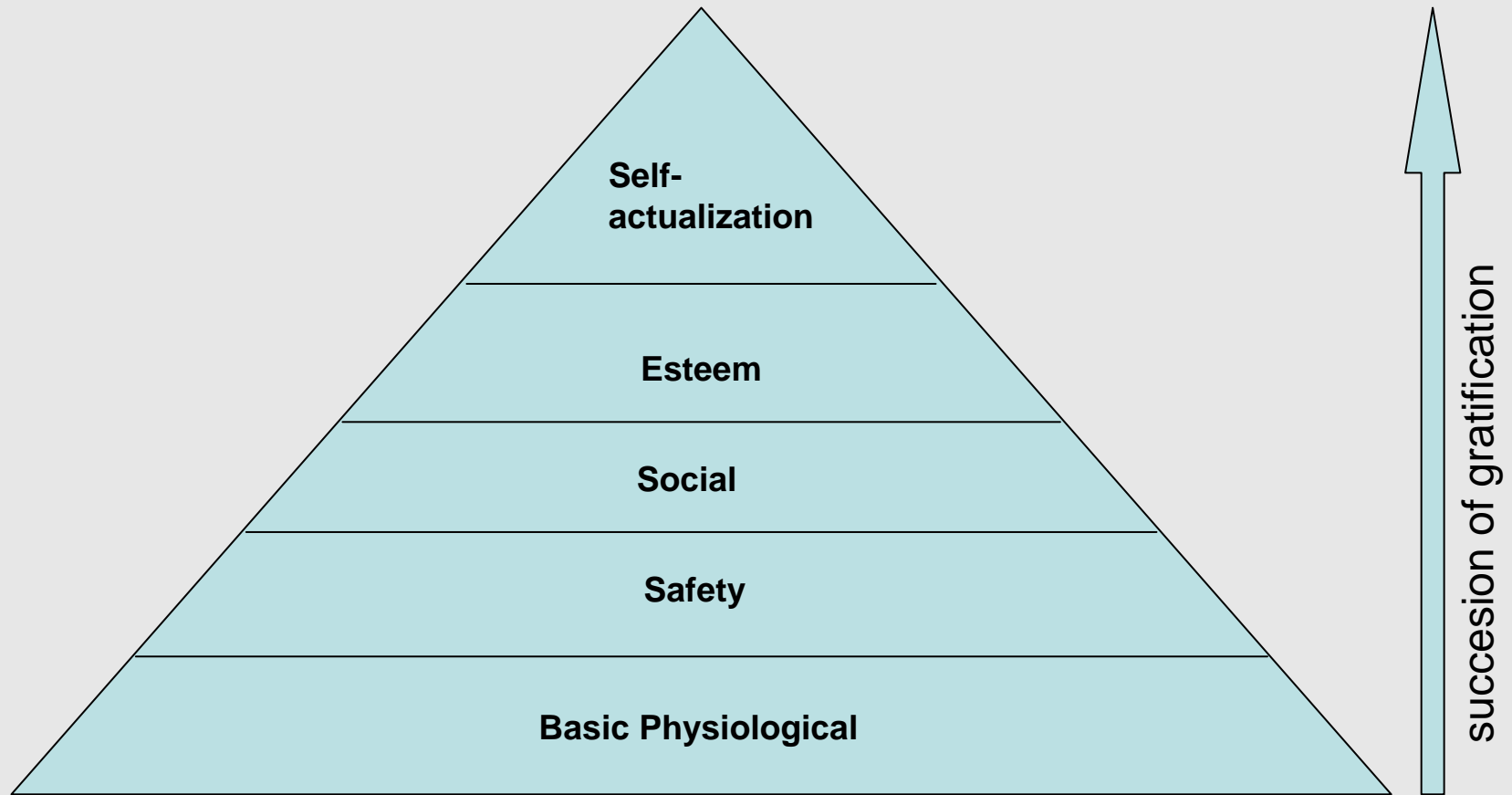


- 2004: “Year of innovation”

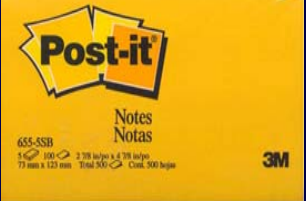


Is there a greater  
need for innovations today?

# Malsow's hierachy of needs



# Importance of Innovations



## **Saturated markets :**

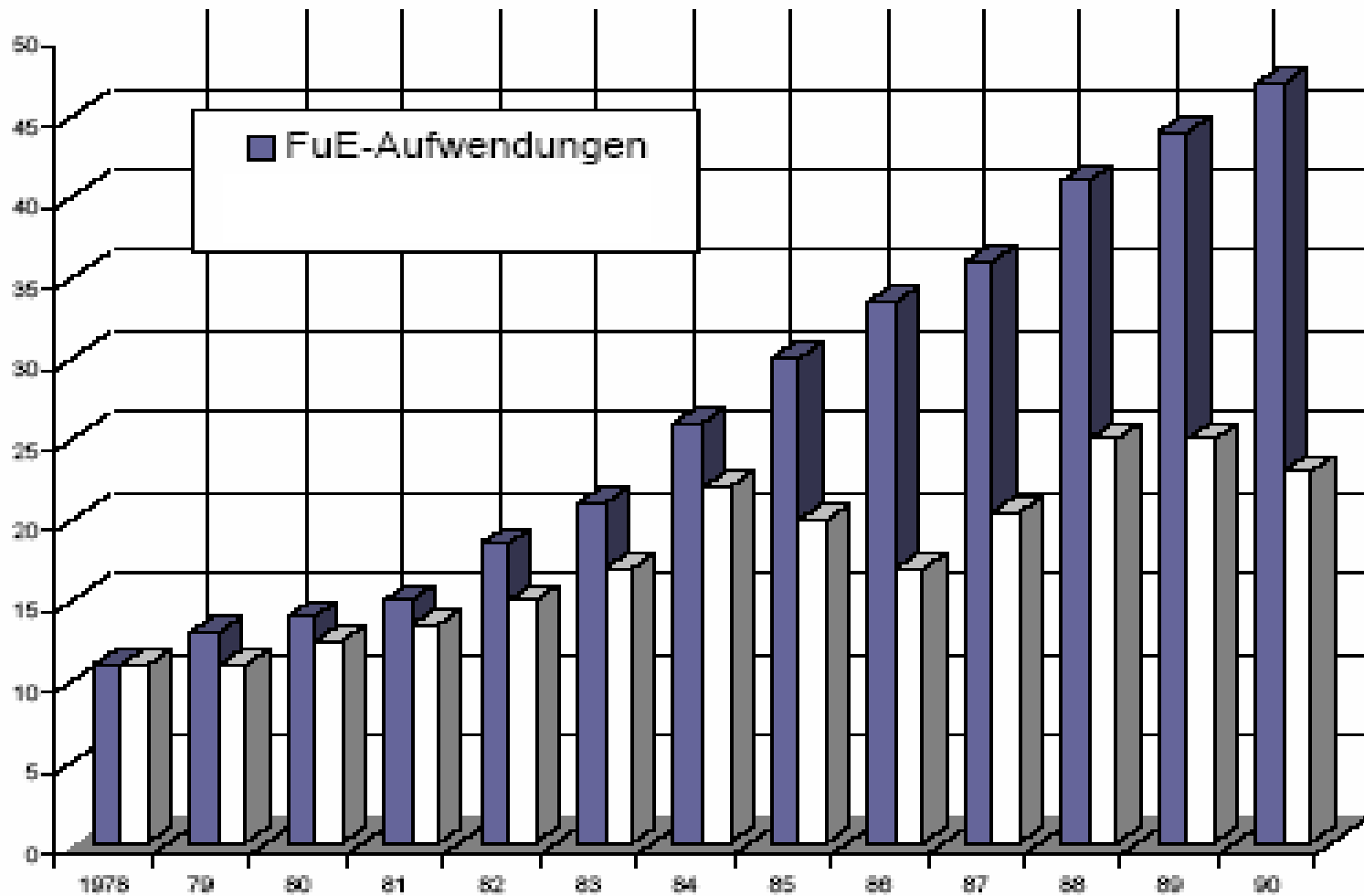
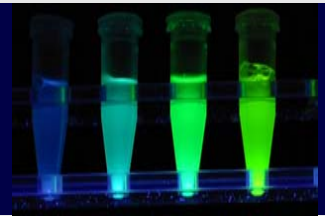
- High stress of competition
  - much shorter life cycle of products
  - reduction of time to market

# Importance of Innovations

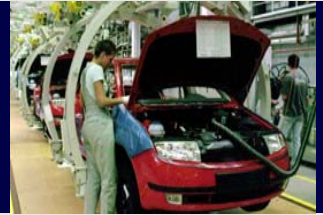


- Innovations assure your market share
- Innovations give the chance to extend your market share
- Products introduced during the previous 5 years accounted for 38% of sales in 1995

# Research budgets

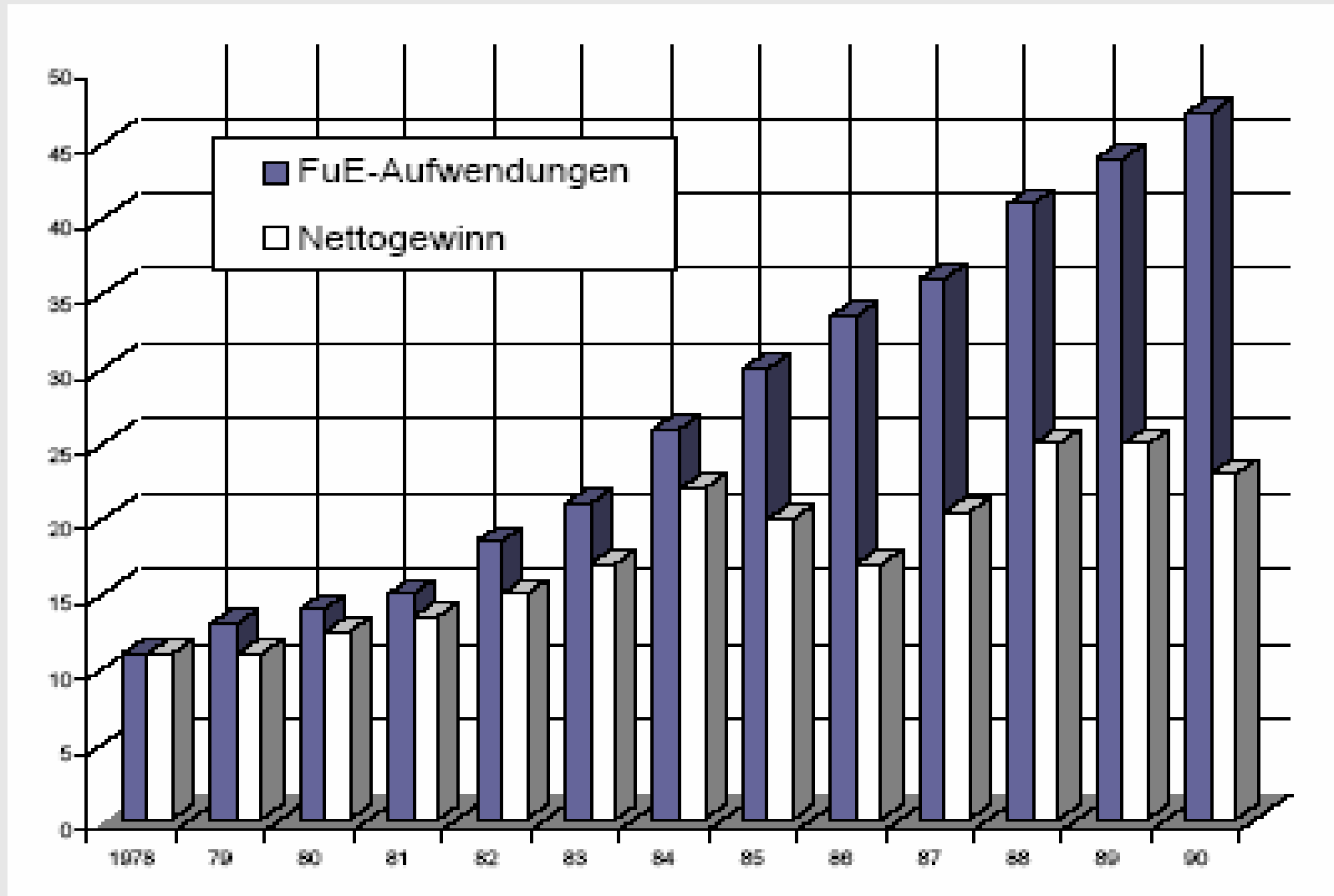
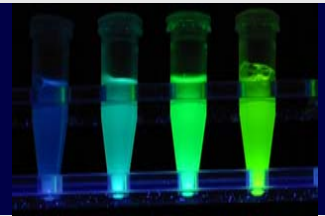


# Research & Development

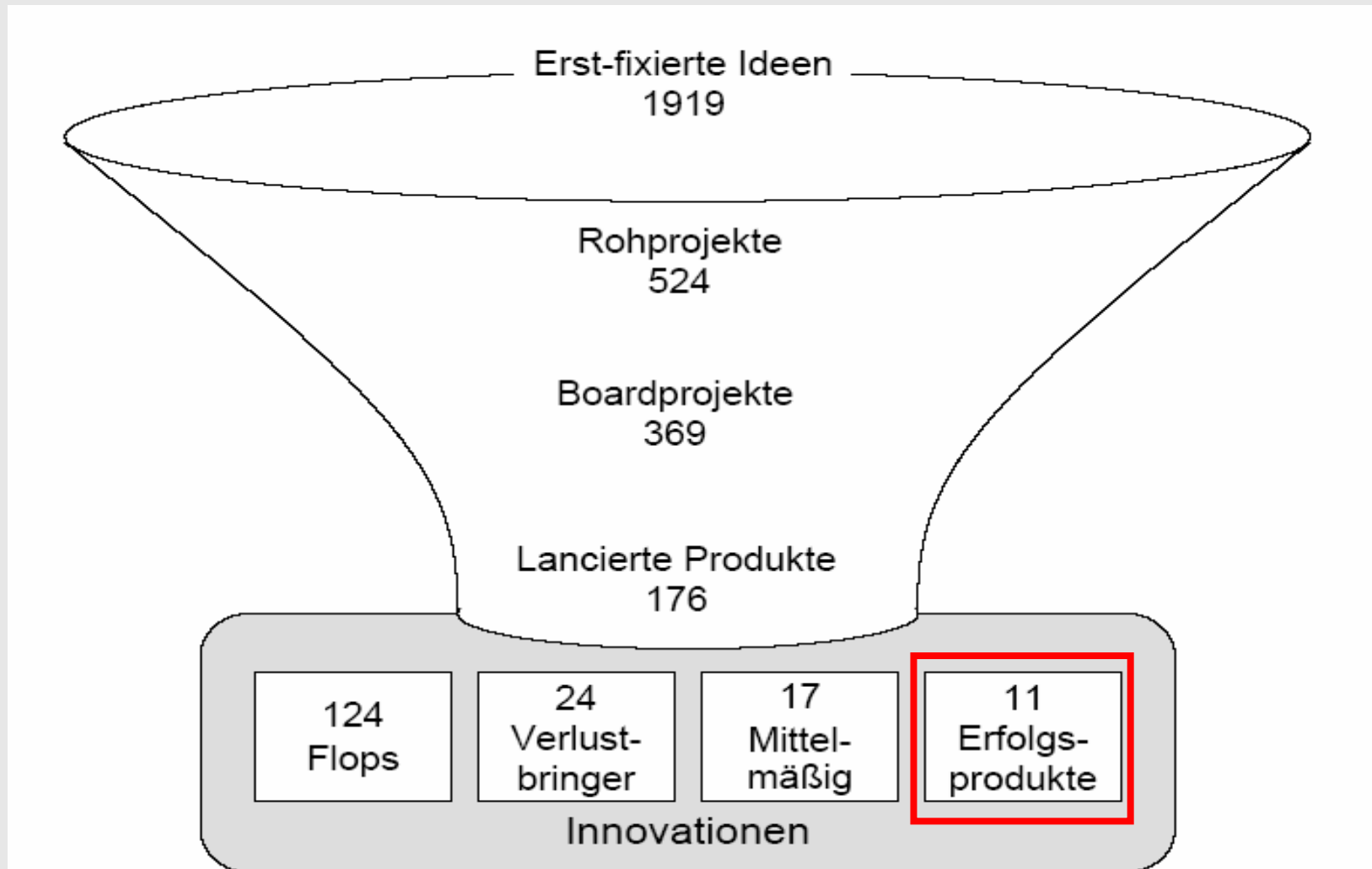
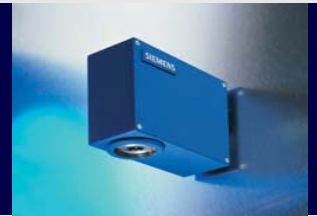


- Does more R&D lead to more profit or volume of sales?

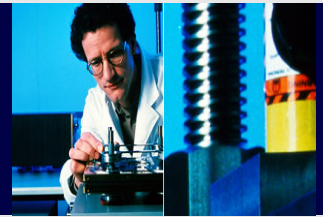
# Research budgets



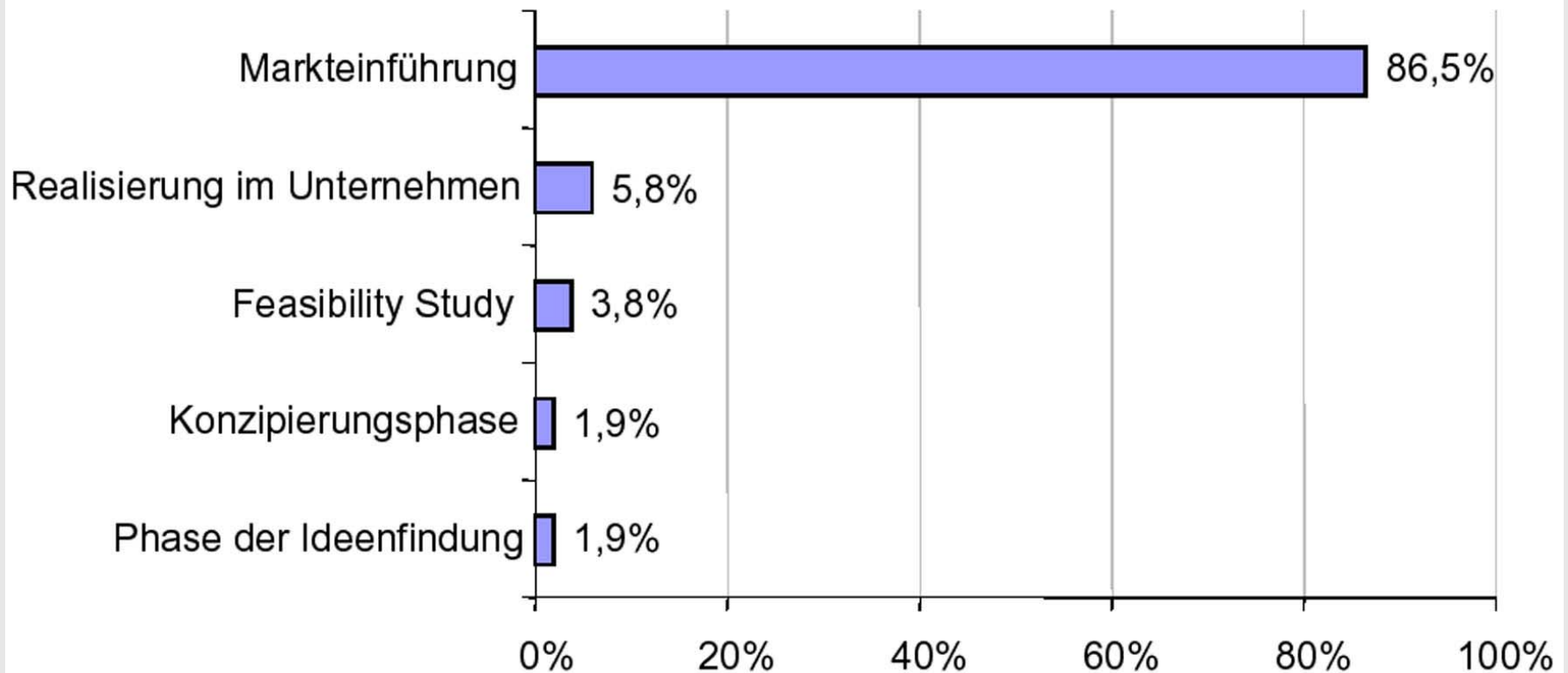
# Failure of innovations



# Failures



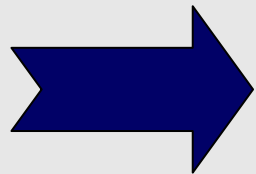
"In welcher Phase der Innovationsfindung scheiterten wie viele Innovationsprojekte?"



Quelle: Lindemann 2003



- So is Research & Development just gambling?

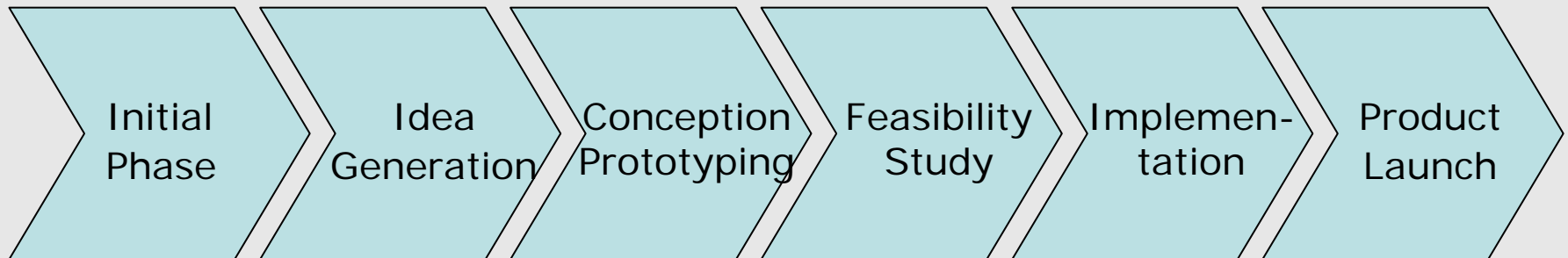


Aim of minimizing risk

# Innovation process



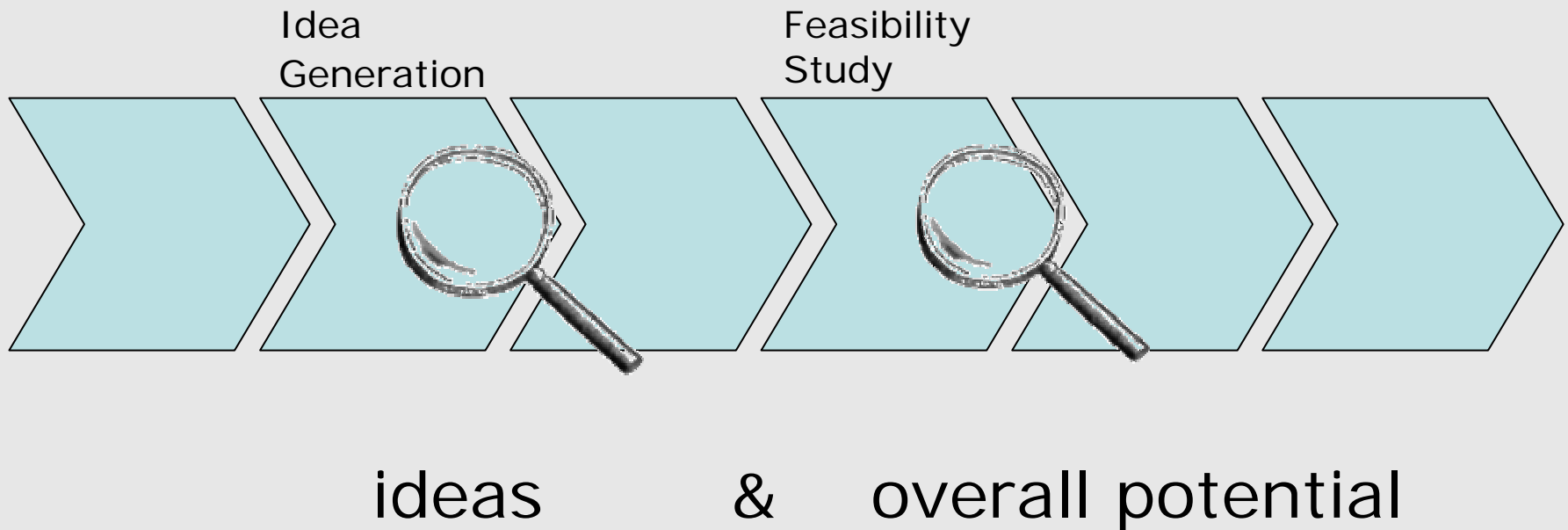
The different phases of the innovation process



# Need for earlier monitoring



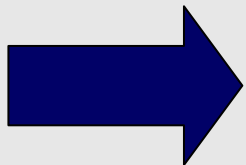
Evaluation of:



# Summary



- Only innovations help you to persist in your market
- Great sums are invested on developing innovations
- The failure rate of innovations is extremely high

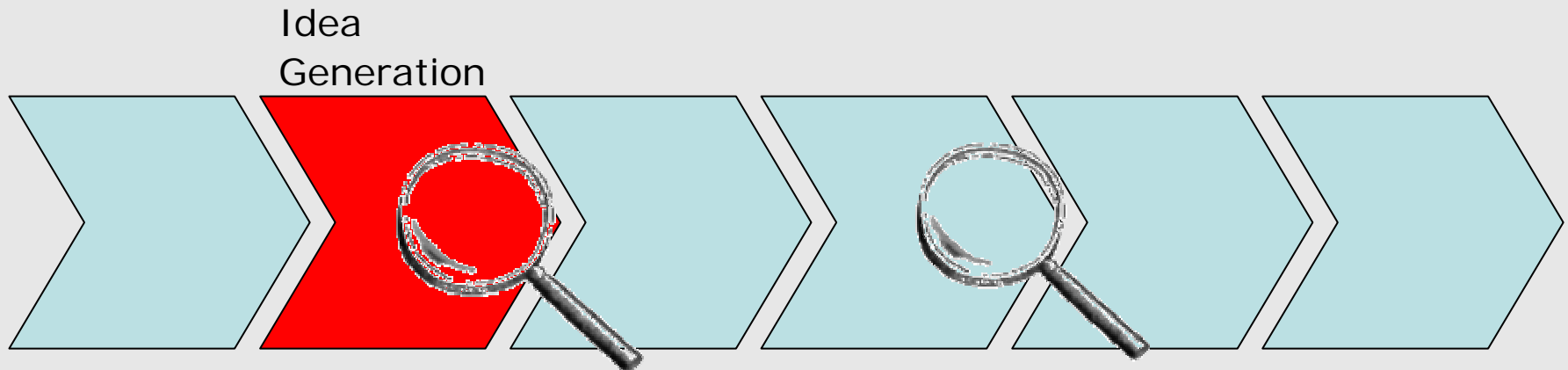


Clear need for evaluating innovations

# Need of earlier monitoring



Evaluation of:



ideas

&

overall potential

# Evaluating ideas



- “The evaluation is not to be understood as a task at a certain time but as a process, which lasts over a period of time”
- Gathering more & more information about idea to select the most promising

# Evaluating Ideas



- Categories
  1. Strategy
  2. Realisability & costs
  3. Market, competition & environment

# Ideas: 1. Strategy



- Accordance with innovation strategy
- Target group
- Build on core competences
- Know-How increase

# Ideas: 2. Realisability & costs



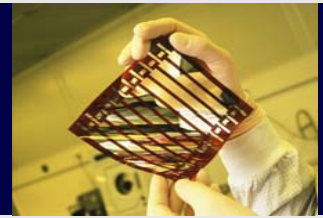
- Realizable with available R&D resources
- Synergies with planned/existing production
- Technical & economical risks

# Ideas: 3. Market & environment

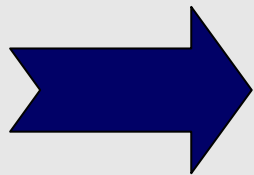


- Market potential
  - Satisfaction of market- and customer needs
- Timing
- Competition
- Politics & legislation
- Environment & society

# Evaluating ideas: Decision



- Take all the *pros* and *cons* of an idea into account
- Evaluate: chances vs. risks
  - Weighting of different factors



take decision: project prioritisation

*project a: high resources*

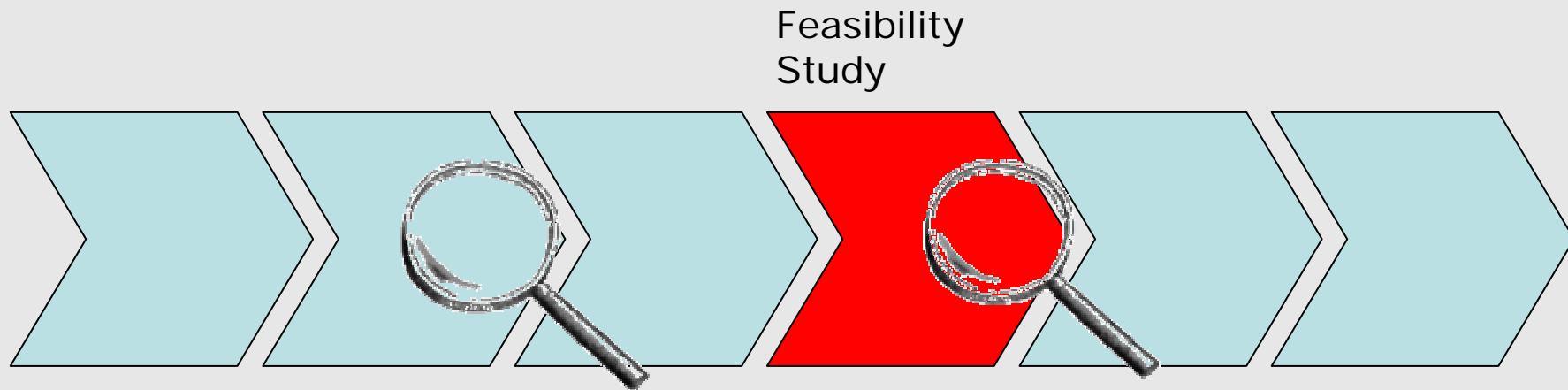
*project b: medium resources*

*project c: low resources*

# Need of earlier monitoring



Evaluation of:



ideas &

# Potential Analysis



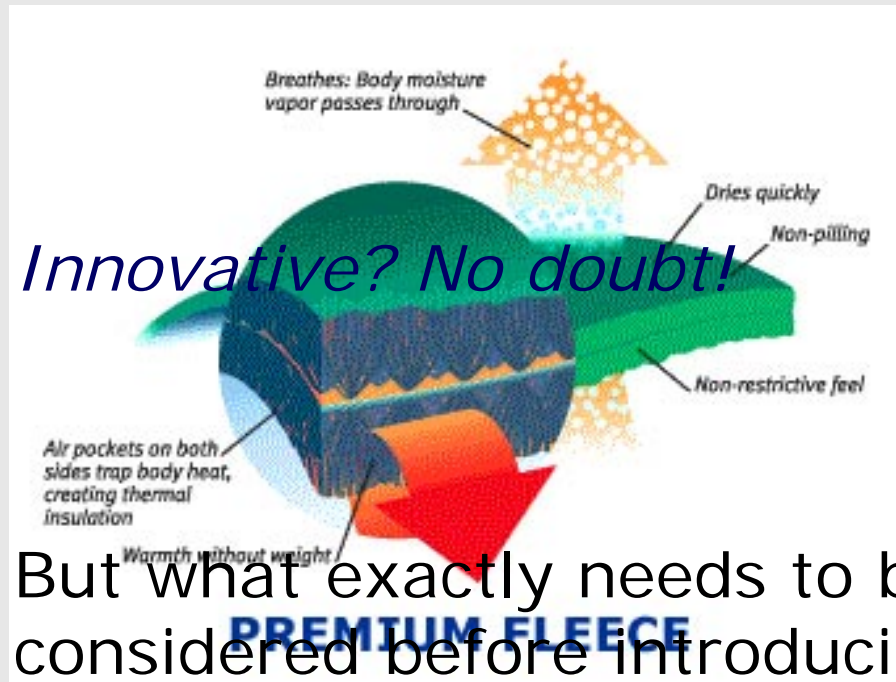
- What factors have to be considered?
- How can one decide whether an innovation will be successful?

# Case study: dental fleece



- Company: *IIMdental*
  - Medium-sized enterprise
  - Manufacturer of dental care products
  - Dense market situation
  - Researching new innovations to gain new market shares

# Case study: dental fleece



But what exactly needs to be considered before introducing such an innovation into the market?

# The four factors



- Buyer Utility
- Strategic Pricing
- Business Model
- Adoption Hurdles

# Buyer Utility



- **Is there a compelling reason for customers to buy a new product or service? Utility and technical advance are not the same.**

# The buyer utility map



|                            | Purchase | Delivery | Use | Supplements | Maintenance | Disposal |
|----------------------------|----------|----------|-----|-------------|-------------|----------|
| Customer productivity      |          |          |     |             |             |          |
| Simplicity                 |          |          |     |             |             |          |
| Convenience                |          |          |     |             |             |          |
| Risk                       |          |          |     |             |             |          |
| Fun and Image              |          |          |     |             |             |          |
| Environmental friendliness |          |          |     |             |             |          |

# Study case: Necar5



- NECAR5:
  - Concept car of DaimlerChrysler
  - Running with hydrogen fuel cells
  - Not dependent on petroleum
  - Zero emission
  - Reduction of noise

# The buyer utility map



|                            | Purchase | Delivery | Use    | Supplements | Maintenance | Disposal |
|----------------------------|----------|----------|--------|-------------|-------------|----------|
| Customer productivity      |          |          |        |             |             |          |
| Simplicity                 |          |          |        |             |             |          |
| Convenience                |          |          |        |             |             |          |
| Risk                       |          |          |        |             |             |          |
| Fun and Image              |          |          | Necar5 |             |             |          |
| Environmental friendliness |          |          | Necar5 |             |             | Necar5   |

# Strategic Pricing

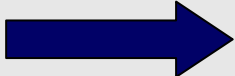


- **How can a company price its new product or service to attract the mass of buyers?**

# Strategic Pricing



- Hard to copy, protected by patent

 *high price*

- Easy to copy, protected by patent

 *medium price*

- Easy to copy, hardly protected by patent

 *low price*

# Business Model



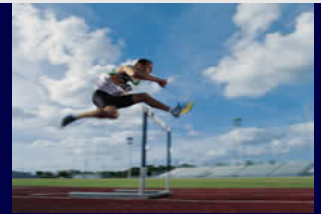
- **How can a company profitably *produce, deliver and manage* the new product or service idea?**

# Business Model



- **Orientate the costs at the strategic price**
- **Cooperate with partners**

# Adoption Hurdles



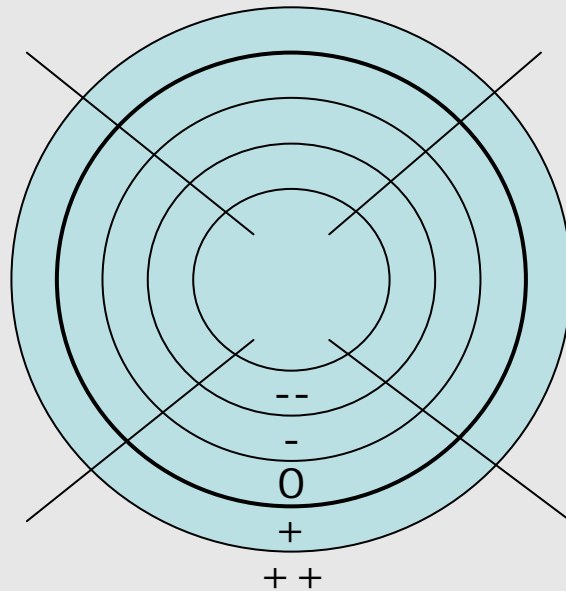
- **Are there reasons why an idea may not be accepted by employees, partners or society?**

# Holistic view: competences star



business  
model

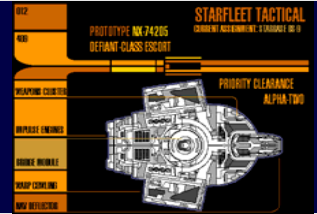
buyer  
utility



strategic  
pricing

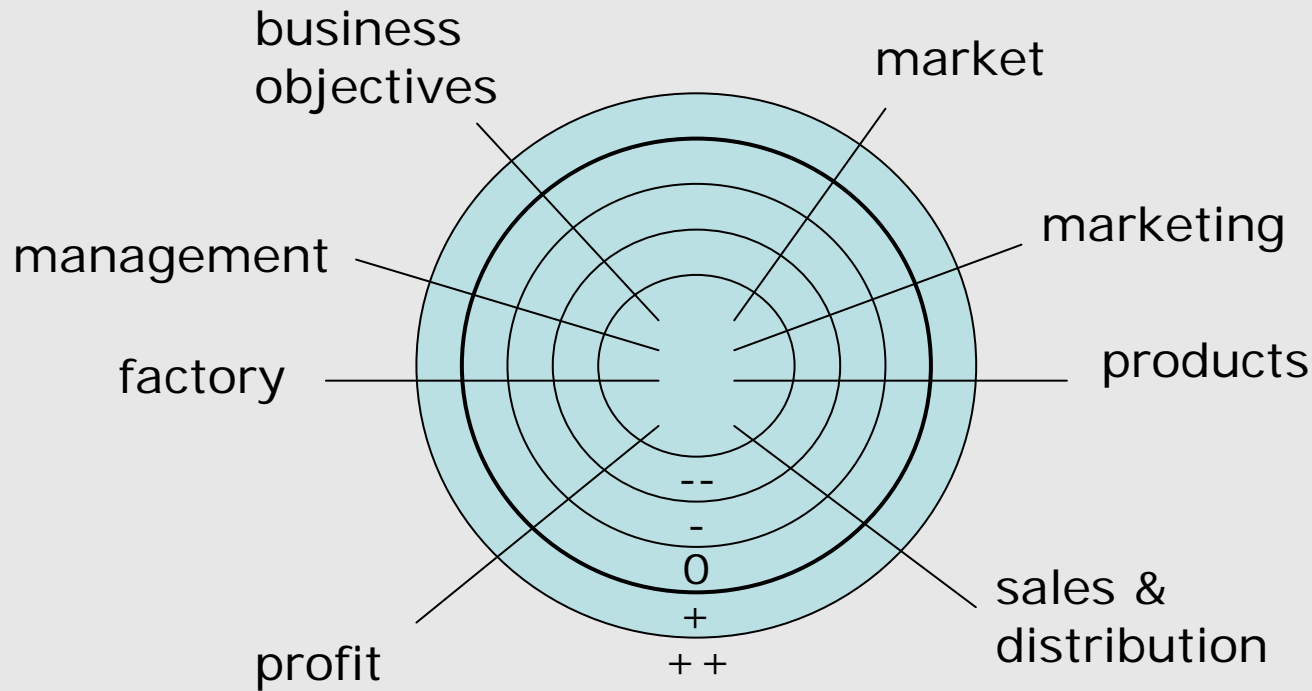
adoption  
hurdles

# Holistic view: competences star



business  
model

buyer  
utility



strategic  
pricing

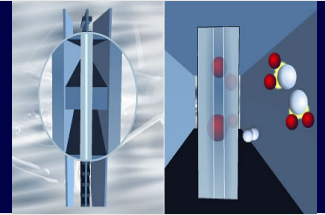
adoption  
hurdles

# Conclusion



- Evaluating ideas and analyzing an innovations potential helps a company:
    - Filter out profitable products
    - Innovate effectively
    - Reduce the failure rate of the R&D
- It is difficult to make predictions – especially about the future.* (Niels Bohr – danish physicist)

# Discussion



- So far we have discussed the *economic dimension* of an innovations potential
- But what about the *global dimension*?

# Bibliography



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