

5 Steps to Revitalize Your Approach to Innovation

Anthony Bahr
Vice President, VOC Strategic Practice
Strategex
abahr@strategex.com
312-357-5219

Prior to joining Strategex, which exclusively serves B2B clients, I spent 15 years conducting B2C innovation, insight, and strategy engagements. The transition from B2C to B2B was fairly straightforward and intuitive since the essential approach to research methodology, design, analysis, and implementation didn't change much.

I was, however, struck by the sometimes drastically different ways that B2B and B2C firms approach innovation.

In the B2B world, the innovation process tends to go something like this:

1. A research and development function charged with innovation develops new product or service concepts based on their understanding of what customers need.
2. An internal vetting and prioritization process determines which concepts move forward.
3. The new product or service is brought to market via similar strategies and channels as existing offerings.
4. A 'wait and see' approach is used to determine the in-market potential of the new product or service.

Juxtapose this typical B2B route to what often happens in the B2C world, where significant resources are dedicated to innovation before a single new product or service is even conceptualized:

1. Ongoing **brand equity tracking** serves as an early warning indicator that a brand is becoming perceived as less innovative than competitors, is missing a product or service in its portfolio, or is subject to some other emerging factor in the marketplace that may serve as a trigger to start the innovation process.
2. In-depth **attitudes and usage** research is conducted to refresh a company's understanding of the market landscape, trends, and growth outlook. In addition, unmet needs and pain points are identified.

3. Consumers participate in **co-creation exercises** alongside brand and product managers to jointly develop new product or service ideas.
4. A series of **concept tests** determines which new product or service ideas have the strongest in-market potential.
5. **Go-to-market** research is conducted to define the target market, develop highly relevant positioning platforms, and determine which marketing executions are most likely to breakthrough and persuade consumers to act.

Given the stark differences in these two approaches, it might not come as a surprise that the success rate of new product launches is [five times higher](#) in the B2C space than in the B2B space.

While B2B firms operate in a fundamentally different manner than B2C firms, there is still an opportunity for B2B firms to adopt some of these B2C techniques in order to become more proactive, collaborative, and successful in their approach to innovation.

Here's how.

The Voice of the Customer

Voice of the Customer (VOC) is the methodology by which a mix of quantitative and qualitative customer feedback is collected, analyzed, and transformed into insights and recommendations which accelerate and sustain profitable growth.

A well-designed VOC program goes beyond basic metrics like customer loyalty and satisfaction because the methodology, which is highly scalable and entirely customizable, can be used to answer a variety of complex questions, including those related to innovation.

For example, here is how a VOC program can be designed to generate similar types of insights that B2C firms use to fuel successful innovation efforts.

B2C step in the innovation process	How B2B companies can use VOC to generate similar insights
Brand equity tracking	<ul style="list-style-type: none"> • Track customer loyalty via the Net Promoter Score™ (NPS™) • Ask about the company's top strengths and weaknesses, then monitor responses to see if innovation is a driver or barrier to generating loyalty • Secure a rating of how satisfied customers are with the company's ability to innovate, and understand the opportunities to improve the score going forward • Benchmark the company to key competitors to understand if innovation is a comparative strength or weakness
Attitudes and usage	<ul style="list-style-type: none"> • Map the category landscape to identify new competitors or new products and services that the company is not currently providing • Estimate the growth outlook for the category • Identify emerging trends or other forces that might shape needs and preferences
Co-creation exercises	<ul style="list-style-type: none"> • Capture customers' unmet needs and pain points • In their own words, have customers explain what the company can do to help alleviate these challenges
Concept tests	<ul style="list-style-type: none"> • Expose customers to a variety of new product or service concepts and have them rate each concept on appeal, relevance, interest to learn more, and intent to purchase • Prioritize further concept development based on the ideas that generate the strongest in-market potential • Capture open-ended feedback to understand what is driving or hindering purchase intent and use those insights to refine the concepts prior to launch
Go-to-market	<ul style="list-style-type: none"> • Determine the most motivating reasons to believe in the new product or service • Carve out a unique perceptual white space that the new product or service can own • Inform a creative brief to develop compelling marketing materials

In addition to generating the insights listed above, there are other benefits of using a VOC-based approach to innovation:

- **Increase engagement with key customers** by getting them involved in the innovation process and positioning the company as a strategic partner, not just another vendor.

- **Close the gap between the lab and the customer** by giving research and development experts the insights they need to develop relevant and in-demand innovations.
- **Gain strategic alignment and confidence to move forward with innovation investments** by knowing that the new product or service will be relevant and in demand among your customers.
- **Increase the success of the go-to-market strategy** by integrating innovation insights with marketing insights to develop highly persuasive sales materials.

Case Study: A Global Manufacturer of Specialized Chemistry Solutions

Our client, a global manufacturer of specialized chemistry solutions, was investing heavily in the research and development of new products. However, its customers were not expressing a strong interest in these new offerings. The result was little return on the R&D investment and compressed margins.

The client suspected the reason there was little interest in these new offerings was because their customers themselves were not innovating, thus there was limited demand for a broader portfolio of products.

If this hypothesis turned out valid, it would give senior management the confidence needed to reduce the scope and scale of its R&D program. However, if it turned out the hypothesis was invalid, the VOC methodology would provide an alternative explanation and present opportunities to effectively evolve the client's approach to innovation.

Strategex partnered with this client to develop a VOC program that was designed to:

1. **Determine if an ongoing innovation program was a worthwhile pursuit** by validating or invalidating the hypothesis that their customers were not interested in a broader portfolio of products.
2. **Develop an approach to innovation that was more likely to succeed** by securing a robust understanding of each customers' internal innovation efforts, outlook for the category, and unmet needs.

The results of the VOC uncovered that:

- **The hypothesis was false.** Our client's customers did, in fact, consider themselves to be innovative, and 16 of the 34 accounts interviewed said they considered themselves to be highly innovative.

- **The approach to innovation was out of touch with customer needs.** The reason customers expressed little interest in the client's new products was because they were not relevant to the needs of their respective businesses.
- **There was no shortage of highly relevant innovation opportunities.** Over 200 potential innovation opportunities were identified by simply asking customers about their unmet needs, pain points, and outlook for the categories in which they work.

Armed with these insights, our client responded by increasing its R&D budget rather than cutting it, and by implementing joint innovation programs with key accounts. This ultimately led to the development of new products that are highly relevant and in high demand.

The road to innovation is typically one of the highest economic and intellectual investments a company will make. Adding a first-hand perspective that is gained in a voice of the customer initiative will only improve the odds of success.

Anthony Bahr (abahr@strategex.com) is a Vice President in Strategex's Voice of the Customer Strategic Practice. Through the VOC process, he provides deep insights into a customer's level of satisfaction and loyalty as well as competitive positioning, innovation pathways, pricing optimization, etc. Ultimately, his work enables clients to transform research findings into actionable growth strategies. Anthony holds a BBA from Loyola University Chicago and graduate degrees from the University of Oklahoma and University of Chicago.