

o Value Innovation

Tools for Meeting & Exceeding Investor Expectations

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Does your company need to win new markets in order to keep up with, or more importantly, exceed investor expectations? Will you be able to get there by evolving your products or solutions, or will it require disruptive innovation? Do you want your company's next-generation strategy to give you a true competitive advantage? Does the challenge of your "day job" managing the existing business and investor expectations keep you from your "other job" of developing the strategy and plans that will allow you to leapfrog the competition? If you answered "yes" to any of these questions, you are not alone and have the company of many other executives, which very likely includes your competitors.

Many of our high-tech clients experience the same thing. And one thing is certain – getting there will involve not doing what you have always done. While additional line extensions or pricing optimization may help you attain this year's goals, they are less likely to overcome next year's challenges.

o Profits come from new markets

According to W. Chan Kim & Renee Mauborgne in their book *Blue Ocean Strategies*, while new territory represents one in seven business line launches, it is the dominant source of profits. These new business lines are, of course, driven by innovation. More proof for what most executives already know to be true.

	Existing Markets	New Markets
Business line launches	86%	14%
Revenue impact	62%	38%
Profit impact	39%	61%

o Value Innovation is strategic innovation

To win a new market, you must look at your market terrain and address unmet needs. This sounds like textbook stuff, but in practice it is never as easy as it sounds.

What Rubicon does is help clients take on *strategic* moves. The kind of move when Apple created the iPod, NTT DoCoMo created innovative services on their telephony network, or Ted Turner when he created CNN, the first 24-hour cable news network.

Strategic moves of this type are driven by what Rubicon calls "Value Innovation." Value innovation unleashes new demand for your products or services based on innovation and renders competitive offers obsolete. This is not solely technology innovation as much as it is finding innovative ways to meet unmet needs of potential buyers. The role of value innovation is to create a new market space where you have a significant competitive advantage.

- **The Value Innovation Framework**

The ability to frame a strategic market opportunity allows you to create true value innovation. It involves looking at the “whole product”—the combination of product, associated services and the value perceived by the customer (or potential customer).

The Value Innovation framework is both diagnostic and action oriented. To move in a new strategic direction, you need to first define where you want to go so that you can add the appropriate value.

1. **Map YOUR business against competitors.** Compare your business to competitors by drawing a strategy map for the market as it currently is. Make sure you understand what factors are involved, and how each vendor competes, better / worse, on that axis. Of important note is what the terms of differentiation are. A company like PayPal might evaluate its strategy based on: ease of use, ubiquitousness, ready acceptance, fraud management and then look to see which of these they should use to differentiate their offerings from those of competitors.
2. **Ask NON-CUSTOMERS what matters.** Go into the field to meet new customers, explore new segments and understand what they need. Observe the unique advantages of alternative products and services. The key is to look at how people are currently serving their needs and what could be improved. There are alternatives to every solution, even if it means doing nothing or using high-technology like pen and paper. NASA spent millions developing a pen that could write in zero gravity. The Soviets chose to use pencils. Intuit is an example of a company that studies its existing and potential markets to understand the opportunities.
3. **Perform NEW thinking.** Understand what new features should be created, and see which features can be eliminated or changed. Are current products over-designed for the market you want to address? When Jeff Hawkins designed the original PalmPilot, conventional wisdom held that one could not pack all the features of the then-current handheld PCs into the form factor—shirt pocket sized—that Mr. Hawkins considered critical, so he offered a simplified device that defined the new category of Personal Digital Assistants (PDAs). Mr. Hawkins recognized that portability was key to creating a successful PDA. People were not looking for a simpler portable computer per se, but they were looking for a device that allowed them to take their calendar, phone book, and notes wherever they went. While this process might not deliver you and your company the next PDA category, it is a great way to force cost out of the system, thus freeing resources for true innovation.
4. **Develop NEW scenarios.** Develop your future strategy map based on insights and field observations. See where your fundamental strategy needs to change based on your NEW thinking. After creating some alternative scenarios of what the future might look like, get feedback on those alternatives. This process will give you tremendous vision—and probably a lot richer and deeper than that of your competitors—into where your industry can and should go. Working on these scenarios with industry leaders and partners will help you refine your vision for the future while shaping directions of the overall market.

- **Fresh Views & Insights**

Most importantly, this involves taking a fresh look at your business. We hope this inspires you to stop focusing on benchmarking best practices, and start gathering insights and perspective so you can move the big picture. If you would like to learn how Rubicon could help you in the area of market expansion and value innovation, call us. We have the expertise to audit your current industry value proposition, how to interpret how industry trends impact your technology, and we are interested in working with you to eliminate / change / create so you can capture the financial and market benefits of innovation—before someone else does.

Let us know your thoughts, and we look forward to talking through your insights.

- **About Rubicon Consulting**

Rubicon Consulting partners with leaders who want to grow their high-technology businesses with strategic marketing services. Specializing in go-to-market strategies allows Rubicon to develop marketing programs, channel plans, product positioning, and customer targets. We help clients to design, develop, and implement custom, practical solutions that work. Rubicon Consulting is the brainchild of Nilofer Merchant, a 15-year veteran of delivering marketing strategies for world-class companies including Apple, Autodesk, Adobe, VALinux, and others. The garnered experiences led to the acquisition of knowledge, models and practices. In time, with sufficient insight, we've developed the ability to predict the outcome of actions accurately. We bring an unbiased, wise, practical, and fresh perspective to your business. Call us if you could use this.

- **About the Rubicon Consulting White Papers**

This paper is one in a series of White Papers on marketing strategies that Rubicon Consulting has prepared for its clients and others. You can review the entire portfolio at www.rubiconconsulting.com. Distribution of the papers in their original form, or reference to them in other works is encouraged; acknowledgement is required. Please contact us at info@rubiconconsulting.com with any questions, comments, or issues.

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