

Why Your Innovations Aren't Working

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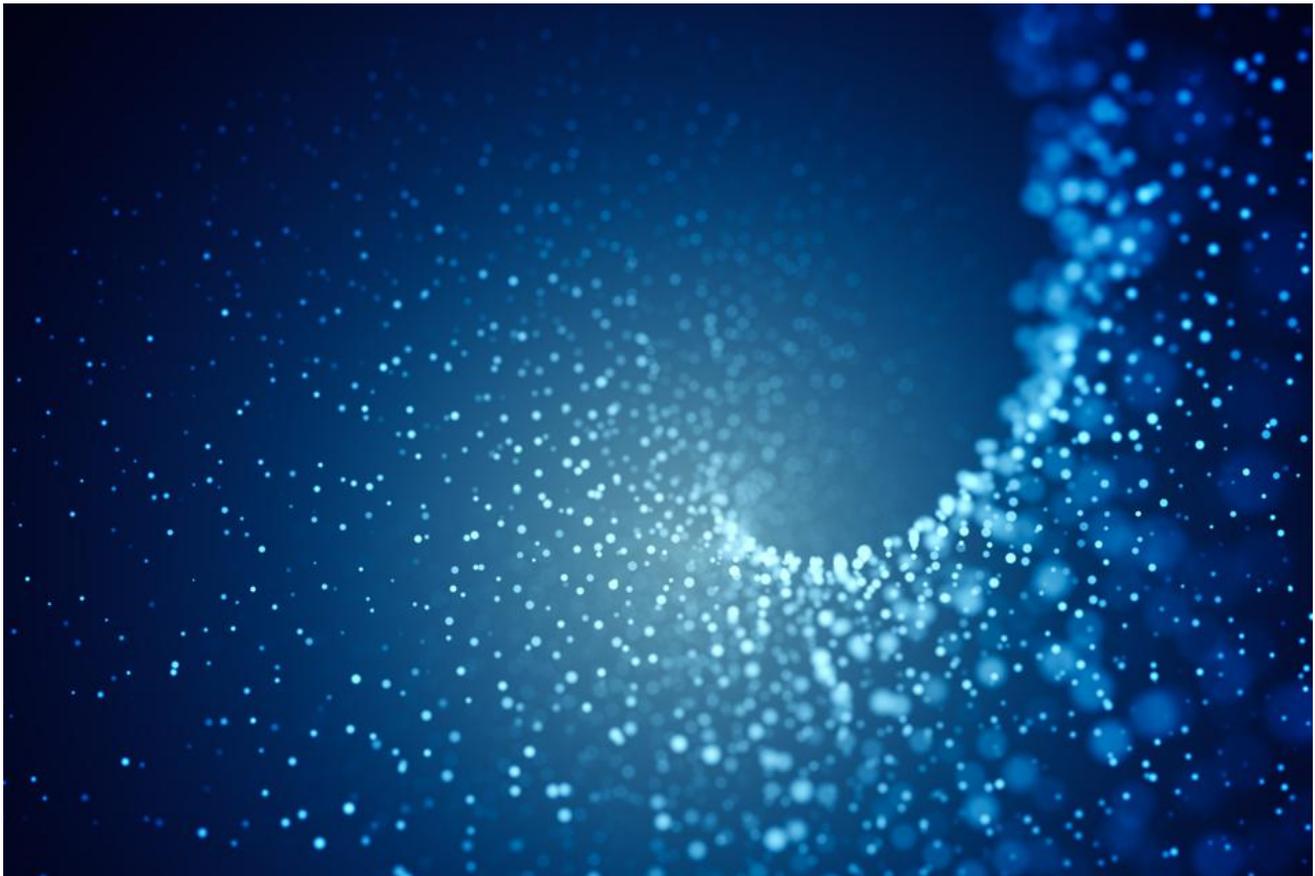
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[Denise Lee Yohn](#) Contributor 

[CMO Network](#)

I write about brand leadership.



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Innovation is supposed to drive growth and increase competitiveness, but there's a reason why your innovations aren't working: product innovation alone is not enough.

New products and services are losing their power to produce sustainable growth for several reasons. Practically every company is pursuing product innovation, so any new product is usually reduced to being one in a steady stream of new offerings from a variety of companies and fails to truly break through. Moreover, most new products can be easily copied or

outdone by competitors, so innovation has become a game of one-upmanship instead of a market creating strategic advantage. And in this digital world, most products operate as a single element in an ecosystem of products, services, and content; so, meaningful advancements require innovation at the systemic or interaction level.

You should continue to pursue product innovation, but you should prioritize broader, more pervasive innovation efforts. Business model, customer experience, and marketing innovations are more likely to produce substantial added value and sustainable competitive advantage.

Business model innovation

Innovating new business models involves developing new operating models that deliver different value propositions. Business model innovations change the role a company plays in the value chain (moving from distributor to manufacturer, for example), the cost structure it uses (adjusting fixed and variable costs), its footprint (expanding into or contracting from markets and territories), and/or other fundamental changes to the core of its business.

Digital transformation is not business model innovation. Although the adoption of digital technologies into business processes involves significant changes to an organization, most companies have adopted digital to update or improve existing processes in their own operations or their competitors', instead of introducing truly new-to-the-world developments. Plus, given the pace and extent of digital transformation that has occurred during the Covid-19 pandemic, practically every company has undergone it, so the playing field has been reset, but it largely remains the same.

New direct-to-consumer (DTC) businesses such as Casper and Dollar Shave Club are prime examples of business model innovations. But this kind of innovation is also within reach of existing enterprises. Consider how Apple is currently undertaking a transformation from hardware design and manufacture to content development. ARM Holdings choosing to license its chips vs. manufacturing them is another example of business model innovation, as is Amazon launching Amazon Web Services.

To explore possible business model innovations, ask yourself, "What business are we really in?" Instead of constraining your research and development efforts with a narrow definition based on what your company produces or sells, orient your organization around the fundamental difference you currently or could possibly make in people's lives. This enables you to continually capitalize on new and enduring growth opportunities.

Customer experience innovation

You can also leapfrog competition through innovations in customer experience. Customer experience innovations transform the way customers interact with you. They aren't merely new services or new approaches to customer service; nor are they solely digital renditions of

in-person experiences, for the same reasons discussed earlier about digital transformation.

Customer experience innovations add new dimensions to the experience such as boundaryless access or hyper personalization. Covid-19 has also prompted spikes in customer demand for safety, privacy, transparency, and convenience, so customer experiences that create new standards on these dimensions can be considered innovations.

Customer experience innovations range from more tactical efforts like the [3D interactive catalog introduced by Cisco](#) and [Specsavers's Frame Styler](#) which creates a 3D model of a customer's face and finds glasses to best suit its shape, to more extensive experiences such as [Showfields](#) which has transformed shopping by integrating retail and art into curated experiences across multiple channels.

One question you can ask to spark customer experience innovation is “What if we started-up now?” Instead of working on improving your existing experience or thinking only about replicating the in-person customer experience digitally, design your customer experience from the ground up. Considering all the new and powerful technology that is available now, you can create truly groundbreaking social, interactive, immersive experiences wherever and whenever customers want them. Then your customer experience can become a source of incremental revenue.

Marketing innovation

Advances in marketing tactics such as search engine or content marketing are important, but they generally produce the same kind of results and suffer the same kind of problems as product innovation. To break new ground, you need to innovate at the essence of marketing – that is, creating new markets and new value for customers.

What's more, true marketing innovation recognizes that what customers value has evolved. What a product *does* is no longer as differentiating as it was in the past and therefore is no longer as valued. And for most products and brands these days, how they make people *feel* has become less remarkable. What a product or brand *says about you* has become the most powerful driver of value. If something enables customers to express or experience a new identity or a core value, it is priceless. As a result, marketing innovation seeks to create new value at this level.

Startup Blue Buffalo was able to upend pet food industry giants such as Purina and Kraft through marketing innovation. As Harvard and Oxford professor Douglas Holt [explains](#), Blue Buffalo tapped into pet owners' emerging anti-industrial food ideology and positioned its product as a more healthful alternative. Through savvy marketing including plain packaging and documentary-style ads, it convinced customers that feeding their dogs its real-food product made them enlightened pet owners.

Tik Tok provides another example of marketing innovation. Unlike other social media platforms that emphasize networks, Tik Tok puts the individual at the center of its efforts – simple uploading and editing for the individual creator and an algorithmically-programmed content feed for the individual viewer. In doing so, it has attracted hordes of people who have found the platform empowering and liberating, even a means to self-actualization.

Start marketing innovation by asking, “How do our customers want to identify?” Instead of thinking about what customers want to *do*, consider what they want to *be*. Get to know their aspirations – for themselves, their families and communities, and even the world – and then explore the roles you can play in helping them get there. Typically, marketing is classified as a business cost, but innovation can transform it into a profit and growth driver.

If your innovations aren’t working, your approach might be too narrow. By expanding beyond product innovation and adding business model, customer experience, and marketing innovations, you can produce greater gains – and sustain them.

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[Denise Lee Yohn](#)

Denise Lee Yohn is the go-to expert on brand leadership for national media outlets, an in-demand speaker and consultant, and an influential writer. Denise is the author

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