Innovation is the name of the game when it comes to sustaining a successful business model for most industries, specifically so when it comes to products that, in a global market, have no dearth of competitors. While the term certainly is thrown about a lot, what exactly does it mean and how does a company go about creating breakthrough product innovation?

After analysing the growth of companies that have successfully brought about product innovation, Tata Strategic Management Group (TSMG) designed a structured framework that breaks down the innovation process — the InnoGrowth Framework.

**Types of breakthrough product innovation**

Breakthrough product innovation can be classified into two broad categories.

- **Products that address un-served customer needs.** These could be current needs of the customer or emerging needs in the future. Apple’s products are a good example of this type of innovation globally. In India, dual SIM cellular phones from Micromax is an example of this approach.

- **Products that change the existing price-value equation in the market, addressing un-served customer segments.** GE’s healthcare products, profiled later in this article, and the Tata Nano fall under this category.

**Examples of breakthrough innovation**

Apple is an excellent example of a company that has seen a dramatic turnaround in its fortunes in the last decade, riding on global-scale product innovation. The iPod, iPhone and more recently the iPad are some of the new products that Apple has introduced. A mapping of spikes in its market valuation over the years shows a clear correlation with its product launches.

GE Healthcare has introduced several new products in the last decade. The MAC 400 is a portable low-cost ECG machine introduced in 2008 to address the rural population in India who cannot afford expensive healthcare. The machine was priced at a third of the price of comparable imported ECG systems. It was battery-operated, easy to use and addressed the shortages of power and trained healthcare professionals in many parts of India. The improved version of MAC 400 was launched in 2009 in the US as MAC 800.

Similarly in 2002, GE China launched its first compact ultrasound, which combined a regular laptop computer with sophisticated software for $30,000. In 2007, GE introduced a newer model priced at $15,000, less than 15 per cent of the cost of its high-end ultrasound machines. Though the performance of the portable machine was not comparable to the high-end version, the portable ultrasound is widely used by doctors in rural areas for simpler applications. By pioneering new applications for use at accident sites and emergency rooms, this innovation has also generated dramatic growth in developed markets.

There are similar examples of innovation in the Indian market as well. Micromax, the third largest mobile handset company in India, has reached this position in a relatively short time. Long battery life phones relevant to rural areas with poor power supply, dual SIM phones to aid consumers in switching to mobile operators with the most attractive subscription plan are some of the prominent examples of product innovations that have helped Micromax achieve its market position.

**Factors for successful innovation**

TSMG’s research highlights that companies with a continuous product innovation pipeline have been
able to deliver sustained profitability and growth far ahead of their industry norm. Two factors determine the success of the breakthrough innovation agenda — superior ability to generate customer insight and use of technology to deliver innovative products.

The innovation process needs to identify un-served or under-served customer needs that are important to the target customer segment. These could be based on the current need state of the customer or emerging future needs.

Technology for product development could be through an in-house source or accessed from outsourced service providers. Many breakthrough innovations are not based on fundamentally new technologies but are an outcome of new ways of combining technology, eg, Apple’s iPhone.

Framework for innovation

TSMG has developed a four-step structured framework (see Fig 1) that companies can adopt when developing their innovation-led entry / growth strategy. Step 1 begins with in-depth category understanding, covering current category size, future growth drivers, segmental trends on technology and consumer preferences, and the key competitors and their market shares.

In step 2, this understanding is deepened to identify new pockets of opportunity for companies (concepts). Existing price-features-benefit matrix in the market, unoccupied positioning planks / planks occupied by minor players, megatrends likely to impact the Indian market in the medium term and under-served needs / pain points of the Indian consumer are combined to create concepts. Next, key characteristics for each concept such as target consumer segment, value proposition and basis of differentiation are outlined.

Step 3 is aimed at optimising innovation within the limited resources available to the company. The concepts are prioritised based on factors such as their brand affinity, proof of concept, technology access, commonality of target consumer segment, distribution overlap and expected future competition. Consumer validation of the filtered concepts forms an important basis to estimate the likelihood of success of these opportunities.

In step 4, prioritised concepts are then developed further to create the innovation-based entry / growth plan for the company.

The product innovation framework provides a robust methodology for companies to deploy a systematic process to develop their innovation strategy, enabling them to simultaneously differentiate from local competition and fight off large global players.

Superior customer insight provides the ‘big-idea’ and networks of outsourced service providers help overcome in-house R&D capability limitations. Breakthrough innovation is the only sustainable route for rapid profitable growth, allowing a company to compete in a profitable blue ocean.