

FROM CASH TRAP TO..... CASH CHAIN THROUGH INNOVATION

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***Abstract :** Innovation is the only source of differentiation and competitive advantage to the various companies in the world. Generally creativity or innovation is defined as coming up with some unconventional practice or features of a product (output) as compared to the usual trend or conventional practice in that domain. Usually people think innovation as technology but actually it is more than that for instance market innovation.*

In the past, market innovation has led to outrunning of various companies such as Walmart came ahead of K-Mart and Michael Dell outperformed IBM, Apple and H.P and recently Samsung moved ahead of Nokia and Blackberry. Most of their innovations did not imply to new technologies but to inventory management, distribution, logistics, customization and service. An attempt has been made to emphasis in this paper on the concept of innovations, how various multinational companies are using this tool to improve their performance in the market and what changes are done through innovations.

***Keywords:** - Innovation, Market, unconventional, companies*

Introduction:-

Once Steve Jobs has said “In order to make something new and innovative in the world, one need to be the type of a person who does not care what your peers think about you, because most of the ideas are usually denounced by most of us as crazy in the beginning”. Steve Jobs was a classic disagreeable entrepreneur that makes him a difficult human being to be around but were he not difficult he would never have accomplished an iota of what he did.

However innovation is directly proportional to the attitude of the marketer. The real question revolves around not whether the marketer has the vision, but do they have the courage and fortitude to stand before the board and defend the opportunity to explore and fail. The innovative machine used by various MNC's like Toyota, Procter & Gamble, GE, IBM, Google, Microsoft, Sony, Whirlpool etc have adopted an organizational structure of innovation that significantly facilitates fast innovation. But first let's understand the word innovation.

Literature Review:-

Innovation is very crucial for running and success of any organisation. There are various names for it like metamorphosis, changes, alteration, revolution, restricting, remodelling, recasting etc.

Era's of Innovation: - On the basis of innovations, past years are been divided into various stages According to Kanter 2006 four ways of innovations are present. They are as follows.

1.1970's and early 1980:- drastic changes into industries from (iron, steel, rubber, paper) to software, electronic hardware and telecommunications .emergence of Silicon Valley (USA) was a new base for product innovation.

2.Process Innovation: - The common innovation during this time was software and other major IT products (airline reservations and travel package reservations) financial innovations like derivatives and

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other forms of financial engineering.

3.1990's era:- the proliferation of P.C.'s and global networking made internet, extranet, internet and www ventures successful like eBay, Amazon.com and MSN.com

4. After the dotcom collapse limitations of acquisitions and mergers and the information hype now the companies refocused on organic growth. GE and IBM who could survive have now adopted innovation as a corporate theme. Apple's iPod and P&G's Swifter are the best instances.

There were many innovations took place during these era. They can be categorised as follows. Christensen (1997) in his Innovators dilemma proposes three types of innovations

a)Sustaining innovation :- Basically, incremental innovations along an established product or brand on dimensions historically valued by customers e.g. by changing brands size, speed, size, shelf life, colour, texture, flavour, package, delivery, after sales service, usage) e.g. new flavours of ice cream, toothpaste , computer that process faster batteries that last longer.

b)Low end disruptive Innovations: - It occurs when existing products or services are so transformed that they become too good and can be sold at premium prices e.g. Toyota's Corolla, Ford's Escort and focus, Wal-Mart's everyday low price (EDLP) discount store.

c)New product descriptive Innovations: - these are typically simpler, more convenient, less expensive, and so they appeal to less demanding customer's e.g. personal computers, cellular phones. These products create new growth by making it easier for people to do something that historically required deep expertise or great wealth and hence invite non consumers.

A product is considered new if it comes under any of these categories.

- ✍ Its cost is lower (production efficiency opt better economies of scale)
- ✍ Its attributes are improved (product efficiency or differentiation)
- ✍ It has new attributes it never had before (product engineering)
- ✍ The entire product service is new (product invention)
- ✍ It never existed in that market before.(marketing efficiency e.g. exports, imports)

Skills (designing high performance engines, finding attractive markets, locating a right product in the right positions in the market) and non skill attributes such as (distribution channels, client relations, patents, reputation and geographic location) are the reasons for low cost production and cost efficient differentiation which are the basis for innovation.

For e.g. Intel not only innovated (integrated circuit designs and semiconductors that enabled it to invent microprocessor) but also quickly protected its intellectual properties by patents. Hence skills and non skills attribute complements and generate profitability.

Thus,

Innovation = Invention + commercialisation

Where, invention: - new ideas, new technological knowledge, designing new prototype.

Commercialization: - communicating effectively to markets, packaging its attractive to customers.

Manufacturing cell of Innovations around the globe:-

Usually out of 100 innovative ideas only 15 may be worth prototyping and testing. Out of these 15, only five may be worth serious investment. Out of these five, one or two may produce game changing or market breakthrough results. That amounts to just two percent successes. Hence, in general a large pool or collection box of innovations is required.

For e.g. whirlpool pushes their employees to spend up to 10 % of their time on development of new ideas. Another e.g. is Google who uses an idea management system that allows employees to email innovative ideas for products, processes and even business to a companywide suggestion box.

Many new products turn out to be loss generating or cash traps Usually 5 to 9 out 10 products which are innovated leads to cash trap despite heavy investments for e.g. Apple computer stopped making the striking g-4 cube less than a year after its launch in July 2000 as they had heavy losses.

Catalytic innovations: - Grameen Bank: Christen et.al.(2006:96-97)describes a sub category of descriptive innovation, called catalytic innovations catalytic innovations share 5 qualities:-Systematic social change, Meet a need that is neither observed nor served at all, Offer services less costly which is considered good, Initially unattractive to incumbent competitors, They are encouraged by existing players for whom it is unprofitable. For e.g. Grameen Bank.

Conventional banks are typically unwilling to lend to entrepreneurs or people without collateral,

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and the latter are forced to seek informal loans that could be exorbitantly expensive (with interest rates 300% to 3,000%). Grameen Bank is a micro lending or micro financing organization that makes such loans possible with no collateral and with low interest rates. At the end of 2005, Grameen operated more than 1250 branches, serving over 5.6 million borrowers in nearly 60,000 villages throughout Bangladesh. Since its inception in 1976, the bank has lent more than \$5.2 billion with a recovery rate of more than 98%. The bank is owned 93% by its borrowers, 5% by the Bangladeshi government, and 2% by other private Bangladesh banks. The bank has been profitable almost every year since its inception.

Muhammad Yunus, a professor of economics, founder of Grameen Bank, and Nobel Prize winner for developmental economics in 2006, believes that the poor have skills that remain under-utilized, mainly because existing institutions and policies fail to offer the support these people require. He founded the Grameen Bank in 1976 to supply credit to those who would not qualify as customers of established banks. Grameen Bank grants unsecured loans to the poor in rural Bangladesh. It differs from other lending institutions on three counts. First, priority is given to designing the system so that the loans can be repaid, and on time. Second, only the poorest villagers, the landless, are eligible. Third, the bank makes efforts to lend primarily to women, who are not only economically but also socially impoverished.

The loan disbursement design is unique. To qualify for a loan, a villager must demonstrate that her family assets are below a certain threshold. She is not required to put up collateral; instead, she must join a five-member group and a forty-member centre, and attend a weekly meeting. She must also share responsibility for the loans granted to the other members of her group; it is the group, not the bank, which initially evaluates loan requests. Defaulters would spoil things for everybody, so group members must choose their partners wisely. The Grameen Bank has been profitable from the outset, and has inspired a global micro-credit movement that has spread to 65 developing countries, reaching 17 million borrowers.

Innovation through Customer service: - Dell computers

Dell is also continuing its aggressive expansion in cyberspace, where it's established a formidable edge. With those new endeavors, Dell is "going from conservative first follower to leader," asserts Anthony Bonadero, Dell product marketing director. The Dell Triangle which focus on liquidity, profitability and growth -- ensuring growth at a profitable pace, building liquidity to enable continued growth. Dell started planning, design and architectural work; and did not pull the trigger to actually build, though, a moment before it knows they need to." Dell's e-commerce surge has a double-edged real estate slice

Customers arrive at the online site, check out possibilities with a product "configuration," and order their computers. The business model has different levels of services for customers depending upon whether they are business or household, big or small accounts. But all get customized personal service. Dell's online approach is a powerful and flexible way of handling and retaining customers that create value for all. Dell has also online information policy based on customer importance. Different classes of customers receive different amounts of information. The Dell Triangle reflects the typical inverse relationship between the number and importance of customers in each class and the level of value they bring to all. At the top of the triangle is "all customers class, a broadest category and applies to anyone who visits the Dell Website. Successive classes refer to more customer value and importance, and hence, more in depth information sharing, personalization & relationships.

Innovation through social media creating brand:-Coca-Cola

Well-known for keeping secret the formula of its most famous beverage, Coke now uses a more open business model, assuming an increasingly prominent position in corporate crowd sourcing. Its open-sourced "Shaping a Better Future" challenge asks entrepreneurs to create improvement-ventures for the project-hubs of youth employment, education, environment and health. In addition, its "Where Will Happiness Strike Next?" Series of short films and TV-commercials relies on the social media-input of Coke customers, contributing ideas about creating happiness. Coke also seeks crowd sourced online suggestions for marketing its products more effectively, once again tying social media to co-creation.

Crowd sourcing uses the input of individuals external to an organization to resolve strategic problems or complete tasks once assigned internally to an explicit corporate individual or department. Widely-dispersed contributors acquired through an open call for participation pinpoint data or offer opinions essential to achieving a specific objective for a designated problem. Open innovation for new products is also encouraged.

Conclusion

Gradually, the marketers have realized that if they have to survive then they have to bring innovations into their existing conditions. The biggest role into these innovations is played by the management. They should

encourage the employees for such innovations. It can be done by selecting the most promising innovators and also taking care of unexpected surprises, creating buffer zones for the innovative people and resisting the temptation look for immediate results. After the execution of the idea the marketers should not sit and wait, on the contrary should move forward with the previous feedback, looking for the deficiencies and bring new changes continuously. Crowd sourcing participants encompass a population from everywhere, with all backgrounds; today's mobile functionality has made the potential assembly of contributors truly global in scope.

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