

# Innovation



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Innovation can be defined as “...

the management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new (or improved) product or manufacturing process or equipment. (Trott P, 2005)” Innovation is usually misinterpreted as company’s think only new products can be an innovation, but this is only one type of innovation. The product doesn’t necessarily have to be new, and neither does it have to be a product. A product which has been improved or improvised or even a service can be an innovation. Also, the difference between invention and innovation needs to be established.

Invention is “ an innovation that is both novel and non-obvious.” (www.novagraaf-intellectual-property. co. uk/glossary. htm, 2007).

There are millions of inventions in a year but innovation involves getting the product/service into the market place and to a certain target audience. This essay will first outline the advantages of innovation and how this can be highly beneficial, and then later move on to the disadvantages and dangers of over innovation. Innovation is known to be one of the best sources for business survival and growth, as innovation can provide a certain exclusivity that other organisations don’t have. This means they can charge people for a product they can’t get anywhere else, or for that price. Each company has internal goals and objectives about what they want to achieve and most companies at some point in time want to make a profit.

Innovating and having a personal unique selling point can help differentiate their product from the rest in the market, enabling them have a higher profit

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margin. Also, getting into a new market soon can help get a bigger market share, as certain brands are known to be well established. An example of this can be the Apple iPod. People still buy these rather than any MP3 player, even though they can be described as quite similar. To maximise returns on a product, it can be very useful to carry out a Boston Matrix (see Appendix 3). “ The Boston Matrix evolved out of the work of the group founder, Bruce Henderson, who believed that increasing market share was an important element of a firm’s strategy, not least for cost advantages this can bring.

” (Business Review, Nov 2007.) Television programmes like Dragons Den have also indicated the necessity of invention to be changed into innovation. As five multi-millionaires try to change inventors to innovators, there are some products that do succeed, and an example of this is the iTeDDy created by Imran Hakim and financed by Theo Paphitis and Peter Jones. The iTeDDy, which is currently available in Argos, is set to target the “..

. trend in the toy market towards ‘ edutainment’ products that help learning and the wider growth of downloading and all things interactive the iTeDDy looks like it has the potential be one of the hit toys of 2007.” (Mintel, 2007.) Demographics show that people are having fewer children, as parents are spending more on their children. Looking at these statistics, the market for baby and children products will prosper for a long period of time.

Recent, obesity has been a large problem for the UK and has been a large problem for fast food companies like Mc Donalds and KFC. Discovery has launched a new service, PruProtect, which has taken advantage of this and seen it as an opportunity to launch their new service. “ The system has

proven successful since its launch in 2004, helping PruHealth to increase its subscription income by fourfold in 2006. (Pru adds Vitality to protection market, 2007.

) This shows that if social trends are analysed well, a gap in the market and innovation can be very successful and profitable. Changes in lifestyle provide firms with more ways to do business as well as providing new products.

Recently, the environment has been in the news and the importance of being economic friendly has come to our attention. Companies like Dyson have taken this into consideration when developing new products.

“ The Dyson Airblade uses up to 83% less energy than other dryers, benefiting companies in that it costs less to run.” (Appendix 1) This shows that an innovation can both help the environment and also companies which invest in it. Time is also a vital factor, which Dyson have recognised, as they realise that people want to do things as soon as possible. Another area of recent interest has been recycling. With recent worrying statistics, the government and other industries have taken steps towards greener businesses as their unique selling point as well as looking more environmentally friendly.

A company has seen this as a business idea and developed the Greenbottle. These are bottles “...composed of a cardboard outer manufactured from pulped, recycled cardboard, which is lined with an inner sleeve of biodegradable plastic made from corn starch” (Intel, 2007). Coca Cola has also tried to be more eco-friendly.

“Coca-Cola has reduced the weight of the bottle in a bid to make them more eco-friendly. The lightweight version of the famous hourglass bottle will cut glass usage by 3,500 tonnes and CO<sub>2</sub> emissions by 2,200 tonnes a year.” (Metro, 2007.) Recently, there has been an increase in the amount of innovation, especially in the drinks industry. Pimms is a prime example of this. Having followed from competitors, rather than led this trend in drinks, Frecco ; Diageo now created flavoured ice cubes.

“This innovation will also provide a good boost for Pimms, who are under serious pressure from the dramatic success of Rosi½ and cider (over ice) as an ideal summer drink.” (Appendix 2) This tells us that Pimms have recognised innovation as a necessity to keep up with the growing market, rather than an optional way of getting ahead. Many companies now have a department for research and development. The R; D Society have recognised that “Innovation, the key driver of wealth creation and progress in society, is vital to the UK and Europe...

” (<http://www.rdsoc.org/06L8.html>, 2007).

) This gives companies more reasons to develop ideas further to keep up with companies worldwide. However, investing in invention or innovation is not cheap, so a company needs to establish whether innovating a product or service profitable or not. To begin with, a PRESTCOM analysis is always useful. Regardless of the type of product being innovated, a company needs to recognise the external environment it is in.

Political factors, regulations, economic indicators and competition are just some of the important factors that need to be taken into account when a

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product or service is being innovated. The macro-environment can show the firm whether there are external limitations or other precautions that need to be considered. Once these are known, the product launch can be either pre or postponed or other contingency plans can be developed. There are several statistics showing the importance and success of company innovation.

“ Companies that are better able to meet product development targets, are also more likely to have centralized data and product knowledge than the industry” (New Product Development: Profiting from innovation, December 2005.) With the increase in competition of new product development, there are a lot more new products coming to the market place, which can decrease profit margins for firms. Some products are innovated, and are very successful, however they are copied very soon and sales fall dramatically when the replica is released. Patents can be taken out but there are loopholes that can allow very similar products to be legally sold. An example of this is the Apple iPod and Creative.

Creative are known to release products of a similar nature to Apple only cheaper. This reputation could decrease Apples sales and shorten the product lifecycle of their future products. With increasing consumer debt in the UK, if people know that waiting for a few weeks will make the price of a product fall dramatically, they are more likely to wait now than in the past. New fashion trends are a strong reason to buy products and this is one reason why product lifecycles are getting smaller and smaller. Conclusion In conclusion, a lot of factors need to be taken into consideration before deciding whether it is worth innovating or not. For some companies this has

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been a very profitable venture, whereas for others it can be very costly and a waste of time.

Also, we could say that some companies choose to over-innovate, and the product that can do one too many things may not be necessary. This can be very expensive. Innovation success can also be very hard to predict and very risky, as the targeted market may not know the capabilities of modern technology and could be reluctant to change. For all companies, the process of weighing up pro's and con's needs to be completed before any decision is made.