



*Many once-mighty
companies now find
themselves fighting for
their very survival in
“Me-Too Hell”.*

The Strategy of Innovation

Many companies today are locked in a life and death battle against a terrifying threat. The adversary moves stealthily, at times gradually but frequently at lightning speed. And each year it exacts its toll on once-mighty companies with once-great products and once-dominant brands.

The enemy? Commoditization.

The victim? Every company who fails to lead in innovation.

The penalty? First growth. Then profitability. Ultimately, the right to exist.

Very simply, more and more companies are finding themselves in “Me-Too Hell” where customers cannot discern differences in competitor offerings. Here, every competitor provides the same level of performance, scale advantages are non-existent or have been minimized, and even old established relationships have become virtually meaningless. It is as predictable as it is painful. And it has, is, or will afflict every company in every industry at multiple points throughout its existence. And the trend is for innovations to be increasingly short-lived as lower-cost global competitors work aggressively to close gaps.

Those few companies that have been consistently successful are those who have capabilities along the two critical dimensions of innovation: 1) Developing superior and defensible solutions to known market needs, and 2) Uncovering and addressing the often unspoken and neglected market needs that have gone unmet. While many companies have capabilities in one or the other, few have capabilities in both, and it is those few who are best equipped to do battle against commoditization.

Within any market, there are two critical dimensions of successful innovation:

Solution-Based Innovation:

- Introducing superior and highly defensible solutions to known market needs

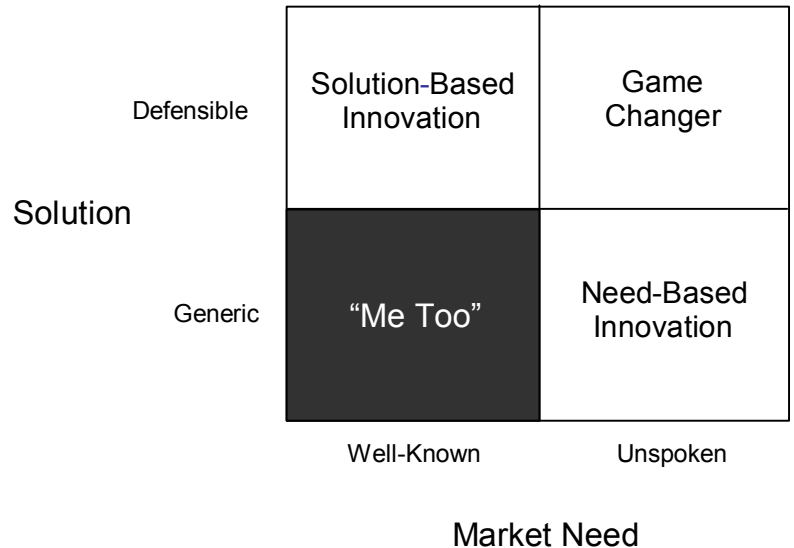
Need-Based Innovation:

- Redefining market requirements based on fresh insights into the unspoken and more fundamental needs of the customer

Often, these two dimensions can be combined to create game-changing innovations that address more fundamental market needs and address them with highly innovative and defensible solutions.

In order to survive, these companies must embrace a more structured approach to innovation.

The Wilson Model



"Me-Too Hell": The Black Hole of Commoditization

For every successful innovation, there is a brief period during which differentiation and premium pricing are possible. Market forces conspire to close the gap and companies are pulled back into "Me-Too Hell". No one is excluded: The Bomar Calculator, Lexan plastic, the Palm PDA. The list goes on and on, and the time horizon gets shorter and shorter.

This is the classic strategic inflection point. There are only two paths forward from here.

- One is to concede that this is inescapably a commodity business, and then plan and manage accordingly
- The other is to determine that additional innovations are possible, and then set out to become the innovation leader

Solution-Based Innovation: Superior Solutions

When known critical customer needs are unmet, innovation tends to focus on the development of superior solutions. When these solutions are both cost-effective and add considerable value to customers, they can be highly profitable. Focus and strategic thinking are essential. The critical questions are threefold:

- **Where** are the greatest gaps and opportunities - and for which segments?
- **What** is the ideal solution that we can provide?
- **How** can we build a sustainable competitive advantage?

Customers are terrible when it comes to articulating fundamental needs.

Need-based innovation requires you to know customers better than they know themselves.

While there are many errors that can deny success, some of the more common and avoidable fatal mistakes include:

1. Failure to recognize that there are distinct market segments that have very different performance requirements. Fatal mistakes are made when solutions are developed to meet the needs of the mythical “average” customer while failing to address the more specific and differentiated requirements of key target segments.
2. Failure to prioritize needs appropriately. Here, mistakes are made when solutions are developed that over-deliver against some market needs, and under-deliver against more critical customer requirements.
3. Failure to build sufficient competitive barriers around a superior solution. Here, fatal mistakes are made when solutions are rushed to market without enough consideration for how to defend it against competitors. This allows savvy “fast followers” to quickly regain share and drive down margins.
4. Failure to bring new offerings to market quickly enough to capture and maintain the lead.

Avoiding these four common mistakes is often the difference between fabulous success and tremendous failure.

Need-Based Innovation: Getting to the Fundamental Need

Most companies do a lousy job of understanding customer needs. Sure, they talk to customers. Sometimes even excessively. They ask the routine and obvious open-ended questions, such as:

- “What do you really want from us?”
- “How would you compare us with competitors?”
- “What can we do differently to make you more satisfied?”

But let’s face it. Frequently customers don’t know what they *really* want either. Thinking about your product is not always at the top of their list of things to do. And, when they do offer input, they’ll tend to restrict their comments to their experience with product features that already exist. In addition, they will invariably filter their input based on their narrow perceptions of your company’s offerings, your implied interests, and your current capabilities. Most input from customers is only useful for tweaking the status quo.

Need-based innovation requires a completely different perspective. You must shift your focus from the “what” to the “why”, and you should not be satisfied until, for every line of questioning, you ask “why” at least five times. “Why do you need that?” “Why is that important to you?” “Why are you hiring this product or service?”



Companies in “Me-Too Hell” face a strategic inflection point that must be faced directly with clear thinking and fact-based analysis.

Game Changers: New Market Needs / Defensible Solutions

There are frequently opportunities to both uncover a fundamental market need that is not being addressed AND at the same time develop solutions that are highly defensible.

That doesn't mean that game-changers are forever immune to the gravitational pull of “Me-Too Hell”. Far from it. However, their lead is two-fold. They have superior market insight and have developed superior and defensible solutions against those needs. Much of Sony's success over the past two decades is due to this powerful combination. The same can be said for other dominant competitors such as Dell Computer, Wal-Mart and GE. They are formidable competitors and are constantly looking for innovation in both directions.

Implications for Management

Companies who are in the *Me-Too* quadrant are at a critical inflection point and must make some very important decisions. They must be clear and candid in their thinking and rigorous in their approach. They must answer three key questions:

1. Is there any way to innovate (either solution-based innovations or need-based innovations) to differentiate in a meaningful way, or is the business forever destined to remain in “Me-Too Hell”?
2. Do we have the skills and capabilities to manage it accordingly (either as a commodity player, or as the innovation leader)?
3. What are the underlying processes, metrics, tools and culture for driving success, and what gaps will we need to address?

The answers to these questions will have a direct and fundamental impact on corporate strategy, specific expectations, resource allocation, and required management skills and processes.

Too many companies have neglected to confront these questions directly and have muddled through their strategic planning sessions without actually developing a coherent plan for innovation.

These are the companies who are at the greatest risk today, and the penalties are escalating just as the timelines are shrinking.