

# INNOVATION GENE: THE DRIVER OF INNOVATION

*Innovation is a hot topic right now. Many organisations claim that they are already innovative, or that they'd like to be. Retail Reply has found that the reality is that innovation is either built into a company, or it's something they struggle with. Some organisations seem to do it effortlessly, because it's in the very fabric of their culture. For this reason Retail Reply calls it The Innovation Gene. Uber has it, Amazon has it, even Tesla has it, but there are many successful organisations who can only dream of matching their success.*

## WHAT DOES INNOVATION MEAN TO RETAILERS?

Retail Reply has found that, unfortunately, to most UK retailers the word "innovation" conjures up an image of a disruptive force in their industry. So many innovations have hurt their bottom line, that innovation has become almost synonymous with "threats". These disruptive forces can be in the form of start-up organisations, product lines or ecosystems, which pull the retailer away from their plans and force a reactive stance.

Most retailers are regularly developing new product lines, but this churn requires little in the way of innovation, in fact it looks more like business as usual than anything truly new. At the heart of the problem is that until recently, retailers haven't had to be innovative, so they haven't grown up with the innovation gene. When we talk to a retailer about innovation they have a stereotypical idea of what the word means. Their view of innovation is that it is a process that begins with a new idea. If you've ever been to a presentation from a consultancy about innovation, then you'll be familiar with this slide:



The ideas they've been selling for years is that if you provide the ideas, then they'll help you on the journey to turning these ideas into profit. They've each developed their own prescriptive model for how this transformation is achieved. One thing that these transformations have in common is that they flow from one step neatly on to the next; they are linear.

Thinking of innovation as a linear flow of information is a seductive idea. It's one that everyone can easily understand and we're all so used to thinking of processes in large organisations as being linear, that it fits neatly into that model in our heads of "how things generally work".

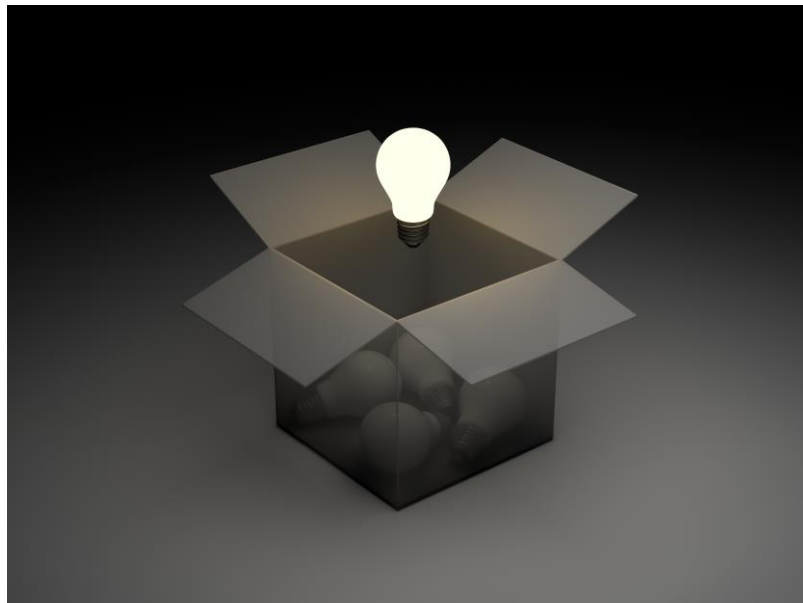


Fig. 1: The Bright Ideas Box

## THE BRIGHT IDEAS BOX

The linear theory of innovation may only unravel if someone actually tries it out in practice. They put a box labelled "Bright Ideas" in the corner of the shop or office and wait for their employees' ideas to come flooding in. In the first month there are three ideas 1) "hire more staff" 2) "pay us more" 3) "get rid of this box". In the second month there are two ideas, one of them looks promising. So, it is given to a business analyst, but they conclude that there is no ROI, so it gets dropped. In the next couple of months nothing comes in and then the box is forgotten about.

If innovation isn't linear and doesn't start with a lightbulb moment, then what is it? Perhaps a better analogy than the straight path is that innovation is a maze. It often means starting down one path, but just finds a dead end, so you have to back track and find another path. It's also worth noting that innovation rarely starts with just one lightbulb moment. One idea may well start a train of thought, but it is likely to take significant input from others to turn that idea into something that's both significant and practical.

Another point to note about innovation is that it requires creativity. It's also best fostered

in an environment where there is input from people who each think differently. The more input you have from the greater number of directions, the more likely it is that a great idea will emerge.

## ARE INCUBATORS THE ANSWER?

Many retailers are now looking elsewhere for innovation. They are buying into start-ups under the guise of an “incubator programme” in the hope that the start-ups will provide them with the innovations they need to keep up. This seems at first to be a good idea; if you’re not good at innovation, then why not pay someone who is good at it to do the hard work for you? Well, as with so many cheap fixes, it may look good at first glance, but it’s not a strategy that passes a closer examination. Incubators may not be a good fit for retailers, because:

- There is no guarantee that a particular investment will provide any return. While you may argue that that is also the case for in-house innovation, if you build innovation into your culture, then you automatically keep trying. You don’t need wait until you fail, then pull out, then start looking for the next Big Idea.
- It’s not your idea. Employees are the best people to work out how to help an organisation, because they live with its problems on a daily basis.
- If the retailer buys the start-up outright, then the start-up has just lost its motivation for success. If they merely invest in the start-up, then they won’t own the products or services produced. It’s quite possible that the start-up will sell their ideas to all of the investor’s competitors as well.
- The start-up is on a different journey. The start-up’s goals are not the same as the retailers. This can lead to competing priorities and disjointed timelines.
- Innovation efforts tend to focus on the application of new technologies, rather than new ways of doing business enabled by technology. For retailers this means that they are not customer-centric, and likely missing great opportunities to influence their relationship with their customers.

## GRAFTING ON THE INNOVATION GENE

Innovation needs to be built into a company for it to work well, but most retailers don’t have this gene and don’t even understand how innovation works in practice. Even when they try to buy-in innovation, it can lead to problems. So, where does this leave them? Where exactly do they go?

What they really need is to find people who understand both their business and understand innovation, who can help them to foster innovation internally. A partner who has experience following those many paths of innovation and guiding the right ones through to market. A successful relationship will result in innovation becoming built into the organisation’s genetic make-up, and become second nature to their employees.

Retail Reply will make sure that the investments in innovation are sustainable and have a real influence on the future of client's organisation, meaning clients don't have to speculate on start-ups and individual ideas. With the support of the Reply network, all the organisations will have access to the latest retail thinking, research and hands-on access to new technologies – just what clients need to fuel the new innovation gene.



Retail Reply is the Reply Group company specialising in retail digital and business consulting and is composed of specialist retail consultants who help achieve their client's retail vision through use of customer-centric digital solutions. Thanks to years of expertise working alongside UK retailers, large and small, Retail Reply is capable of best advising how to drive client's businesses forward with smart use of technology.

Retail Reply's mission is to help retailers innovate and ensure that they see tangible value at every step of the way. Its consultants are experts in Retail Innovation, Retail Ecosystems, Capability Transformation, Customer Centricity and Proximity Commerce and its services include capability-led planning, omni-channel strategy, customer journeys and architecture-managed services.