Service Innovation: 
Lessons from the Leaders

Bifrost University - Reykjavik
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This presentation will cover five key topics

1. Innovaro
2. Innovation Leaders Analysis
3. Service Sector Innovation Leaders
4. Common Traits
5. Additional Success Factors
   - Identifying Future Growth
Europe’s leading innovation strategy and insight firm supporting the innovation performance of major companies

AKZO NOBEL  Axa  BBC  BT  Braun
Corus  dti  EDS  Enterprise Ireland  Experian
Friesland Foods  GM  IMI  Johnson & Johnson  Marks & Spencer
McCain  Mars snackfood  NESTA  Making Innovation Flourish  Nokia
Oracle  Pfizer  Philips  QinetiQ  Novartis
Reckitt Benckiser  Reed Elsevier  Sara Lee  Scottish Widows  Shell
Speedo  Syngenta  Visa  Vodafone  Zurich

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Innovation Leaders Analysis
Each year we assess the performance of over major 1500 firms.

Eight key areas are researched as input into the assessments:

1. Organisational *culture* and supporting structure
2. *Strategic* focus on innovation and its role in driving corporate growth
3. Number of major new product *launches* and relative success ratios
4. *Growth* in revenues, profits and market capitalisation
5. Average *margin* per product or customer
6. *Investment* in innovation-related activities such as R&D and marketing
7. *Brand* value and human capital growth
8. *Peer review* from within the sector

*Together this provides what we believe to be the most accurate assessment of current innovation impact.*
Innovation Leaders’ shares have shown consistent growth …

Half the companies identified in January 2005 as Innovation Leaders subsequently demonstrated an increase in share price of at least 50% over the following two years.

The top five performers over 2005/7 all had growth in share prices of over 50%:

- Apple - increase in share price of 163%
- Google - increase in share price of 139%
- Rolls-Royce - increase in share price of 89%
- Toyota - increase in share price of 64%, and
- Canon - increase in share price of 61%

The Innovation Leaders stock portfolio has outperformed all major indexes for the past 7 years.
From 1 Jan 2007 to 1 Jan 2008, the 2006/7 Innovation Leaders shares continued to rise:

- Apple Up 135%
- Nokia Up 91%
- Google Up 52%
- Adidas Up 36%
- Reckitt Benckiser Up 25%
- PepsiCo Up 23%
- Microsoft Up 21%

- Overall Portfolio Up 12%

Even in the current financial crisis, several key innovation shares are on the rise
The 25 sectors we assess cover a wide range of businesses

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Across these sectors the 2007/8 innovation leaders are clear and are profiled in our book and the dedicated website

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Most companies now aspire to innovate across the range and seek to mix process and product innovation to great effect.

Product / Service Changes

- Fundamental Change
- Improved Properties
- Small Modification

- Breakthroughs
  - Next Generation Platforms
  - Hybrids & Derivatives

Process Changes

- Fundamental Change
- Improved Production
- Small Modification
Adidas is a strong product innovators that scores very well on both fashion and technology driven performance innovation.
Apple is a great product and business model innovator that has used its services as the glue to lock in new customers.
Google has the luxury of driving perpetual beta approaches than enable it to continually evolve its service portfolio.
Handelsbanken has made a virtue of back to basics through reinventing a simple local focus for its banking services
H&M has perfected fast fashion through a combination of market making activities enabled by IT based innovation.
Infosys is making impact in process innovation in IT services by re-engineering key relationships it is contracted to support.
LEGO has re-invented the way it creates new innovations through allowing and enabling customers to take the lead.
Nokia is the leader in high-margin mass-market product innovation on a journey to innovate in services to same effect.
Starwood is providing a differentiated range of offers in a highly commoditised sector and is also a product company.
UPS is one of the leaders of the simplicity movement as it smoothes the flow of its customers’ goods around the world.
Virgin Atlantic is redefining the consumer experience across all levels of the product / service / innovation travel portfolio
Common Traits
All of these innovative companies share some common traits which enable them to continue to compete at the highest level.

- **Strategic Focus** – there is a strong strategic focus on the role of innovation within their markets and the contribution that innovation makes to the business.

- **Insight** – they have an excellent understanding of the marketplace, customers and an ability to configure products and services around evident needs.

- **Collaboration** – they clearly understand the core capabilities of themselves and their partners and work together to deliver innovative products and services.

- **Process** – they have simple yet effective approaches to identifying, and then quickly launching, new products and services.

- **Organisation** – roles, responsibilities and culture all support innovation while appropriate metrics are used to measure and reward successful innovation.

These are not unique to these firms – but they are well integrated and leveraged to best effect.
Additional Success Factors
There are several key areas where innovation leaders are setting the pace to keep them ahead of the rest of the pack.

1. Multiple Innovation
2. Open Open Innovation
3. Smart M&A
4. Identifying Future Growth
Identifying Future Growth
Companies are looking over the usual horizon for growth

- **Uncertainty**
  - Foresight (5 to 10 yrs)
  - Trends (3 to 5 yrs)
  - Insight (1 to 2 yrs)

- **Predictability**

- **Time**
Leading companies are identifying unique future insights
Over 50s in the US control 70% of disposable income:
By 2020 1bn people will be 60+ 75% of them in the West
It takes 400,000 litres of water to build a car and 140 litres to make a single Starbucks cappuccino.
Diabetics in Florida can get text messages when they walk into restaurants telling them what (not) to eat.

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Accessing niche markets is increasingly easy to do: For many companies this will be a major opportunity.
Solitude will be soon be seen as a luxury:
Being disconnected may even be a traded commodity
Thank You... and for more information...

**Websites:**
www.innovaro.com
www.innovationleaders.org
www.technologyfutures.org

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