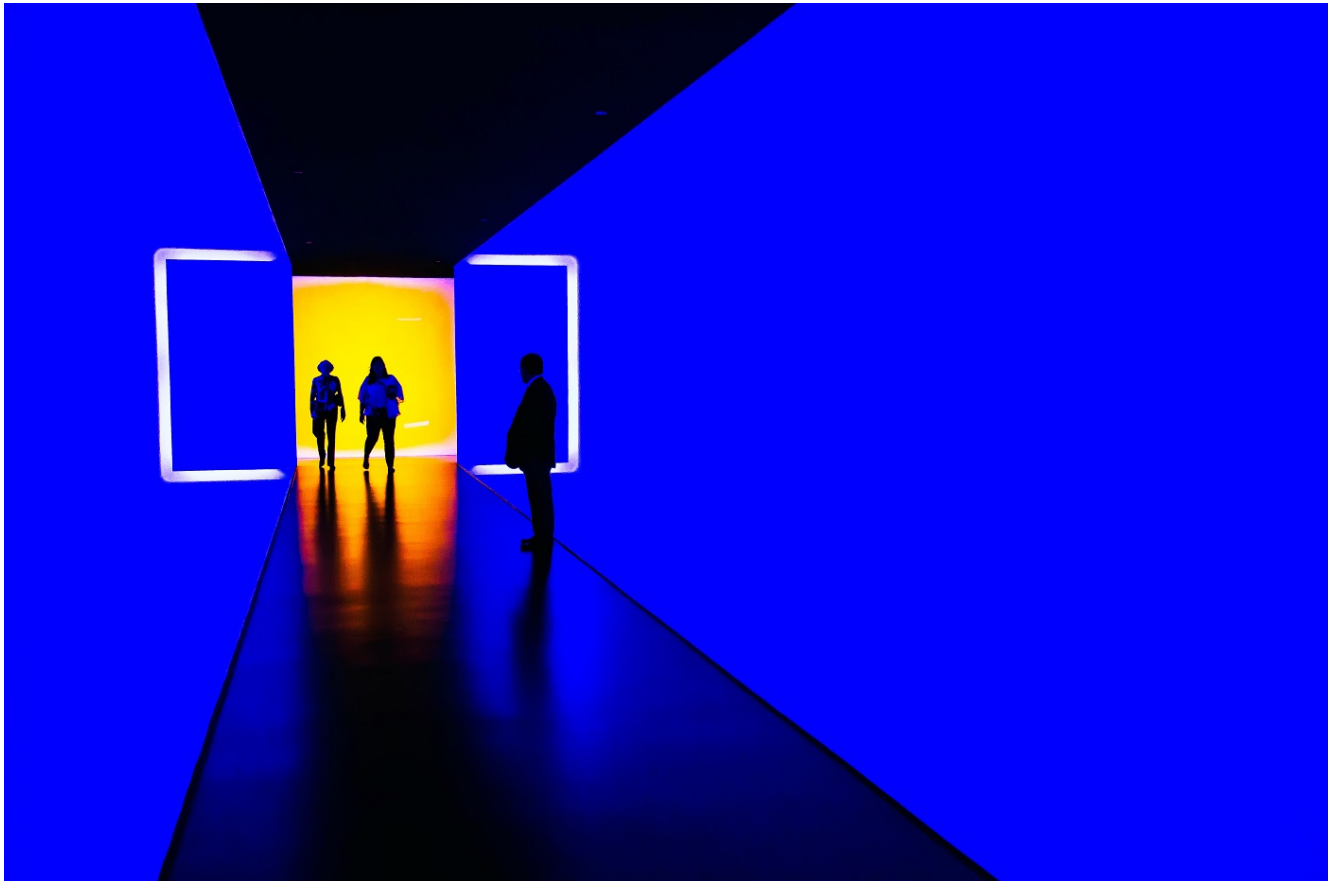# Innovation Matrix for Winners: You Can Win

📅 1st Oct,2022

As legendary venture capitalist, co-founder of PayPal, and Facebook's first outside investor, Peter Thiel famously noted in a Wall Street Journal op-ed in 2014, "All happy companies are different: Each one earns a monopoly by solving a unique problem". However, all failed companies have one thing in common: they failed to escape competition.

Essentially, Thiel meant that competition is for losers. For instance, Apple, Microsoft, Amazon, Alphabet, and Facebook are the five most iconic IT brands in modern history that have essentially steamrolled every competitor. They share some common attributes, despite being five very different companies:

- Monopolistic product-driven businesses for high returns on capital
- Proactive adaptation to change
- Low customer acquisition & retention costs
- High fixed costs, low marginal costs and hard to replicate assets
- Creating network effects to entrench customers & users

A company's ability to succeed in the stock market and business begins first and foremost with its product and innovations around it. You grow faster if it becomes monopolistic, and you get less competition. A three-point matrix of configuration, experience and offering can be used to identify such breakthroughs in product and innovation.

Configuration

The 'behind the scene's activities of an organization can directly or indirectly impact the **customer experience (CX)**. Four forces reinforce this pillar:

1. Profit Model

A good example is how New York Times went from an ad-based media model to digital user subscriptions.

2. Network

Ford was the first company to have full control of its entire supply chain, now called 'vertical integration'.

3. Structure

Google's 20% rule allowed employees to work on side projects, leading to the creation of Gmail and Google News.

4. Process

McDonald's franchisees were encouraged to develop and sell their new food items. This led to one of their most successful products called 'Egg McMuffin'.

Offering

Creating a seamless experience around a product by integrating it in a carefully crafted ecosystem is two of the mainstays of this category:

1. Product Performance

Spotify is leagues ahead of its streaming rivals like Apple Music and Gaana in terms of subscriptions because of the responsiveness of its apps, **User Experience (UX)** and streaming speed vis-à-vis quality.

2. Product System

Apple's success after the launch of its Apple Watch has created a flourishing product ecosystem where all its products can talk to each other for a better UX, create more value

for the collective and improve sales.

Experience

The user acceptance of consumer-facing products is the acid test. As a result, it is more important to improve the UX rather than focus on advertising or adjusting associated commercials. Four forces support this pillar:

1. Service

Amazon is a great seller, but it still enhanced the value in selling with Amazon Prime, which offers free expedited shipping. Prime led to delivery in as quickly as 2 hours in some cities, setting a new paradigm in intra-day deliveries.

2. Brand

Apparel brands have taken up climate activism and linked it to environmental causes to give them unique market positioning. A good example is Patagonia and Balenciaga.

3. Channel

The loyalty cards can sometimes be a great brand-puller and retention mechanism. Brands like Nespresso have created concepts like Nespresso Club to further lock in customers.

4. Customer Engagement

Mercedes Benz has replaced its bulky user manual with an **Augmented Reality (AR)** manual that highlights driver and car data.

Starting up or scaling organizations are constantly innovating their products based on these ten forces and three pillars of innovation. Not just the product but also the organization is determined by these tactics.

> **" The second part of this essay will discuss the most widely used and revered innovation techniques. Be sure to read the second blog in the innovation series."**

AUTHOR:

Bibhuti Bhusan Routray

Head, Marketing