



Innovationedge® Insights

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Looking Ahead - New Opportunities and Directions

This is the time of year we review what we've accomplished and where we are going -- product portfolios, partnerships, opportunities, initiatives, capabilities, and platforms. Many tell us that growth into new sectors and e-commerce are top priority,

so we're tracking the developments to help you get there. We are also finding ways to help resolve the complex struggle between long-term growth and short-term profits that many of you face.

Below are highlights from our new *IE Briefing Report* on **Innovation for Long-Term Growth and Value Creation** and research on **Collaborative Innovation, Partnerships & Ecosystems for the Digital Age**. I've included tips for vetting potential partners from my forthcoming book, *The Innovation Engine for Growth*, and we continue to follow what **Amazon** is doing in the B2B space.

Overall we've been curating the most relevant content to keep you ahead, and our newly re-designed [website](#) reflects this! Take a look -- our latest downloadable reports, newsletters, and surveys are on the [Insights](#) page.

As always, I welcome your comments, questions, and thoughts and would love to hear what you're up to. Please feel free to email (cperkins@innovationedge.com) or give me a call (920-205-3297) anytime.

--- Cheryl



Short-term profit vs. long-term growth - can you have both?

One of the most common challenges we hear is that short-term thinking is getting in the way of true innovation. We all know that staying on top of constantly changing markets and technologies is necessary just to stay in business. To be profitable, you must continually enhance and/or add offerings while controlling costs.

To *grow*, however, you must go further - you need a forward-looking strategy and the infrastructure to execute it. You must focus on the top line as well as the bottom line. The question is how to do this well.

The challenge is often a tug of war between survival and growth - with Marketing and R&D on the front line. Pressure to meet short term profit goals and shareholder expectations frequently overrides the long-range plan.

For more detail on how to lead and make the business case for long-term thinking, please read our latest report ***Innovation for Long-Term Growth and Value Creation: Building the future while preserving the core.*** This special report offers economic justification as well as leadership traits that enable simultaneous short- and long-term gain. **Download your copy [here](#).**



Collaborative Innovation, Partnerships & Ecosystems for the Digital Age Open Innovation has grown up. What does it take to win today - and in the future?

How do you successfully build networks and ecosystems as your company moves beyond single solutions and one-to-one collaborations? And how do you tap into the digital capabilities of partners required to expand your market reach and delivery?

Open innovation in today's world has become more complex. Advances in information technology and connectivity have heightened consumers' expectations for seamless experiences from choosing to

buying to rapid and/or instant delivery - including service, repair, and even return of purchases. Blockchain is enabling unprecedented levels of trust and transparency in data-sharing, with transformative impact. Finally, price wars and the need for speed have put intense pressure on cost control and efficiency.

Collaboration has never been more necessary. Choosing and skillfully managing the right partnerships has never been more critical.

Some of the most successful strategic partnerships we have seen are at the top rung of what we call the **Ascent of Collaboration** (see figure 1), IE's four-level maturity model. Level 4, *Co-Creation*, involves multiple partners and ecosystems (which may include competitors) and requires the highest degree of communication and trust.

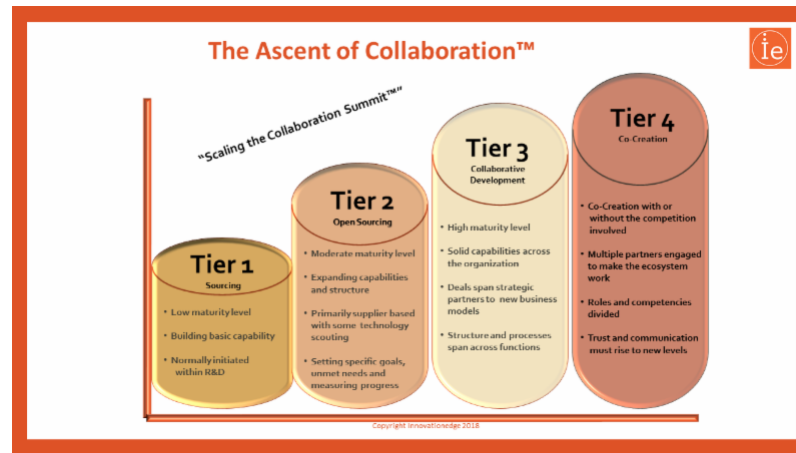


Figure 1

Companies and ecosystems that exemplify level four include:

- **Kroger**, which is building its ecosystem on numerous fronts to create the full convenience and digital experience. Partnerships (see IE [blog](#)) include several to **expand digital capabilities** (online ordering, home delivery, driverless delivery), and **convenience** (meal kits as well as a groundbreaking competitive/collaborative partnership with **Walgreens**).
- **Nestle** has a diversified portfolio approach with multiple partnerships in multiple arenas including its **distribution-expanding** alliance with **Starbucks (Global Coffee Alliance)**, its **socially responsible Creating Shared Value** program, its participation with **Kroger, Unilever, Walmart, Tyson Foods, McCormick & Co., Dole Food Co., Driscoll's** and other global food companies with **IBM** in a consortium to leverage **blockchain technology for safety, traceability and transparency** across the food supply web.
- **Honda** for centuries did everything itself, but like other car makers around the world is under stress from the huge investments needed to develop **new technologies used in electric vehicles and autonomous driving**. Honda has now announced deals with Chinese search giant **Baidu Inc.** to develop mapping technology for autonomous vehicles, and with Chinese startup **SenseTime Co.** to build camera software for self-driving vehicles. The company

has a deal with SoftBank Corp. for **artificial intelligence** that SoftBank says will be able to read a driver's emotions. Honda is even farming out the development of an electric motor. Hitachi Ltd.'s auto-parts division has the majority stake in a joint venture with Honda that will make electric motors for Honda cars by March 2021.

- **IBM and Samsung jointly** developed *Autonomous Decentralized Peer-to-Peer Telemetry (ADEPT)*, a proof of concept protocol that allows appliances such as washing machines, televisions, and refrigerators to purchase their own supplies such as detergent, negotiate with each other for energy use, and order their own maintenance. *ADEPT* leverages **self-executing smart contracts based on blockchain technology to provide a secure, low-cost way for these devices to interact**. People are already outsourcing their interactions with customer service representatives to bots, such as startup **Trim's** bot that chats with cable television provider **Comcast** to negotiate prices. Not only are companies forming ecosystems, their products are forming relationships!
- **Amazon** is perhaps the most powerful, extensive, and sophisticated ecosystem (or set of multiple ecosystems) that exists today. Between its marketplace with **third-party retail sellers**, its **AWS Partner Network** for cloud services, and its acquisitions of **small startups** like PillPack and Ring to its industry-changing Whole Foods acquisition, Amazon both leads the way and dominates with its omnipresence in the **full end-to-end retail experience**. Amazon is by no means stopping where it is today either - **B2B** is one of its next frontiers.

All these alliances and ecosystems leverage the core strengths of each player and collectively create powerful market advantage. Today's collaborations are not just filling technical gaps or adding new customers - they are reinventing value chains and changing the game.



Choosing the right partners for the right opportunities

(Excerpted from my forthcoming book, The Innovation Engine for Growth)

Given the importance of the right partners in today's complex and increasingly interdependent networks, having a robust vetting process is essential.

A good first step is to assess the internal competencies required to deliver on current or anticipated future objectives and goals. By defining their current tangible and intangible transactions, leaders can determine what their companies can-and cannot-do internally. And by examining the current ecosystem and defining current and future needs, they can create competency grids that identify gaps and help determine how potential partners might close those gaps.

Leaders can construct competency grids in ways that their criteria spans a wide range of behavioral and leadership competencies to specific technical competencies, often within a variety of disciplines. Comprehensive grids allow senior leaders to evaluate individual and organizational performance from multiple perspectives, including performance related to specific programs, projects, or products. Once leaders have created competency grids for their own organizations, they should provide the same template to potential partners, asking them to construct competency grids, as well. Then each should

review, discuss, and share examples and references that can validate the specific competencies identified.

As a final way of ensuring that potential partners have the required competencies, leaders must then do effective due diligence, to determine whether potential partners are a good fit. If partnerships demand cultural compatibility, leaders should determine the degree and nature of the differences and decide whether culture change needs to be driven in one or both organizations. On a final note, leaders can prevent or mitigate problems with "partners of partners" if they perform the same due diligence on partners' networks that they've done for the partners themselves-including competency grids and validation from specific examples and references.



Grow Like Amazon: Key Steps Any Company Can Take

You don't need Jeff Bezos at the helm to achieve double-digit growth. Learn how Amazon decides where to expand, focuses on customer happiness, takes the long-term view, leverages core strengths, doesn't fear big bets, and more; how you can adapt these approaches to fit *your* organization.

Amazon's 20-year record of double-digit revenue growth is unmatched in industry. While much of its success can be attributed to CEO Jeff Bezos' leadership, **Innovationedge** has identified key strategies that any company in any industry can use to accelerate growth - even without Bezos.

To learn what these are, download your free copy of **Innovationedge's** exclusive white paper *How Amazon Achieves & Sustains Record Growth* [here](#).



The Amazon effect on B2B - what should your e-commerce strategy be? Top 5 considerations

As mentioned above, Amazon is making rapid gains in the B2B space and given its track record with B2C, is likely to be a dominant force.

According to a recent survey, 8 out of 10 (78.4%) business buyers use Amazon to research and make a corporate purchase online. These numbers are climbing.

Amazon Business (previously known as Amazon Supply) generated \$1 billion in sales its first year. Just four years later it's set to top \$10 billion, with Amazon Business making massive inroads into some of the largest B2B markets.

And news just in! This week (10/25) Amazon Business launched an expanded feature set in its **Business Prime** shipping program for companies in the United States, Germany and Japan. The development marks the latest step Amazon.com Inc. is taking to further strengthen its dominance

of the B2B e-commerce market-where analysts at Forrester Research Inc. and investment firm R.W. Baird & Co. project Amazon Business is on course to hit \$25 billion in gross merchandise sales within two or three years, up from its current \$10 billion annualized rate

New services include:

- Spend management features to help companies manage spending by their employees
- Pay-by-invoice terms extended up to 60 days
- Upgraded shipping options including free same-day or one-day shipping for more than 1 million items on orders
- And more

Still, the decision for businesses to list on Amazon is not entirely clear cut. Only 40% of those surveyed currently list on Amazon and of those that don't 50% have no plans to do so. Despite the exposure opportunity, the benefits at this stage may **not** outweigh the risks - especially when it comes to your valuable customer data and direct relationships. There are other risks as well, and some companies prefer alternative routes.

Here are the **top 5 considerations** to think about as you define your e-commerce strategy and decide where to list:

1. Amazon's wealth of consumer data

Amazon certainly has consumer data, but B2B e-commerce is more complicated than B2C. It requires complex product configuration, pricing, discounting and bundling features that go beyond basic consumer e-commerce sites. Amazon excels in products that ship "off the shelf" and do not require specialized knowledge. Its logistics infrastructure may or may not be right for your products. Ultimately service will set you apart, along with deep customer insight vs 'big data.' Technical advice, the ability to deliver quickly, respond to specific questions and other ways you serve your customers are most important.

2. Competing on Price

There are many ways to avoid becoming a commodity and competing on price. The key is to add value beyond Amazon's delivery speed. In fact, it may be better not to get caught up in the Amazon pricing game which *is* geared to commodities. Reward loyalty and volume buyers with attractive pricing, but more importantly offer solutions and services that show you understand their business and their end-users. Collaborate with your biggest customers to define new offerings. Your distributors may understand and cater more to the B2B buying process than Amazon does currently. Their websites might be a better fit than Amazon - an example is Cescocom which was recently redesigned based on customer feedback. Now customers can search by specific keywords and filter results by criteria including category, finish, manufacturer, style and product length, width and height. Site search also now serves up pages with stock availability and product specifications.

3. Marketing approaches

It depends on your industry, but the overall trend is toward a B2C approach for marketing. It is important to understand that B2B embraces B2C as well. Competitive pricing, benefits and on-demand delivery are important factors across the board. But if your direct customer is in procurement and buying in volume and you meet their specific needs (bundling, etc.) ultimately you will maintain their loyalty. In terms of marketing trends, many B2B trends mirror B2C:

millennials are the biggest buyers; they are using mobile devices to make purchases, they watch videos (educational, not just sales) during the path to purchase, they expect personalization and they expect fast (even immediate) delivery. On Amazon product listings that look like B2C listings (i.e. ratings, descriptions, videos, etc.) will likely surface to the top.

4. Impact on Brand

Brands are about trust. You need to be careful to maintain and extend whatever built that trust in the first place. Brands have name recognition advantage at the beginning, but make sure you can deliver, both quality and quantity, as you expand. Monitor your competition, follow up with customers for feedback (and reviews to post!) - it is very easy to be disrupted online by startups. Brand value should not be taken for granted.

Also bear in mind that brands are not usually what people search for, the generic product is.

71% of B2B researchers start their research with a generic search. Research shows that those involved in the B2B buying process are already 57% of the way down the path to a decision before performing an action on your site. As B2B brands seek new customers, it becomes increasingly important to understand what's happening during this time.

5. Resource allocation

First, being online is necessary to compete. Surveys indicate that 69% of manufacturers without a B2B e-commerce site expect to launch one within the next year. Building your own site may be the best overall, though presence on Amazon is still a good idea in terms of search functionality and the fact that Amazon capabilities and market reach are continuously expanding.

"Manufacturers have compelling reasons to build a B2B e-commerce site-or expand their existing site, per the B2BecNews survey. Among the objectives of manufacturers planning to sell online, according to the survey, are:

- **New sales channel:** 71% of manufacturers list generating more sales as their top priority for building or expanding e-commerce.
- **New customers:** 54% of manufacturers want to sell online directly to consumers.
- **Diversified sales:** 45% of manufacturers see B2B e-commerce as a new way to sell over the web to retailers, dealers, wholesalers and distributors.
- **Better branding:** One in four manufacturers sees B2B e-commerce as a tool to build broader brand recognition."

Strategic questions that should be answered:

As you define your e-commerce and Amazon strategy, we suggest you ask yourself the following questions:

1. How specialized are your products? Do your distributors sell to end-consumers or is it all B2B? The more specialized you are, the less you should focus on Amazon and instead build your own capabilities (alone or with distributors).
2. Are your distributors large or small? Are they already selling on Amazon? Do they have their own websites? Do they have major competitors on Amazon? How sophisticated is their

- technology/data capture/marketing? Choosing the right distributors is key.
3. Repeat business/loyalty factor, customer relationships. If you want to go global then Amazon is fastest route (or Alibaba) but loyalty and local relationships need the human touch - along with convenience and 24/7 access, of course.
 4. Geographic coverage. Is Amazon operating in your area? B2B can be regional, is Amazon B2B presence strong in your region?
 5. Growth and strategic objectives. Look at the integration of your capabilities with your resources and goals. How much of your company's competitive advantage is product innovation versus delivery/service innovation?

These are complex decisions that go beyond e-commerce strategy, and Amazon is a factor not to be ignored. We will continue to share our insights and findings, please feel free to [contact us](#) with any specific questions you may have.

Innovationedge is a global strategic innovation consultancy with offices in Florida and Wisconsin. Our team's fearless champions of innovation break barriers to help executives define their strategy, develop capabilities, design a winning organizational structure, and deliver breakthrough innovations through a robust growth pipeline of sustainable solutions and new-to-the-world innovations.

Innovationedge also gives inventors an edge by crafting winning business propositions and creating strategic corporate partnerships that deliver commercial success.

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