

VOLUME ONE

thinks

INNOVATION

Putting innovation on the agenda

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Foreword

What does it mean for organisations today to be truly innovative? How do they meet the initial hurdle of C-suite buy-in? And manage the challenges of implementation, combatting the scepticism that can arise when efforts fall short of the bottom line?

The first quarter of 2016 saw e3 host a number of events under the banner 'The Innovation Series'. From May's experientially-led talk on the impact of technology on marketing, to July's innovation working lunch, all proved highly insightful forums for discussion.

They also reassured many attendees that they were indeed not alone in for varying levels of concern and enthusiasm for the consequences of 'fully embracing' innovation.

The list of participants was broad, with organisations such as Vodafone, Unicef, AXA and HMV attending, alongside a number of our own clients.

The sessions enabled those involved to outline their own experiences and express what it meant to be innovative in their respective organisations.

This paper summarises the content of The Innovation Series and captures our thoughts on the real drive behind innovation and why we believe true innovation needs to begin with people, process and an internal shift in culture.

Part 1

New ideas



What do we mean by innovation?

in 2015 'innovation' topped the business buzzword list, for the second year in succession. So everyone's doing innovation, right?

As reported by media intelligence company *Meltwater*, 'innovation/innovate' hit the top spot with over six million mentions reported across online media globally during the year. This increased level of conversation aligns with the reported rise in demand for 'innovation specialists'. It's now commonplace to see vacancies for Chief Innovation Officers (CINO) or Innovation Strategists, and a recent *Capgemini* survey showed that 43% of large companies have a formally accountable innovation executive in place, up from 33% in 2011.

Ok, ...what exactly is it then?

Innovation can mean many things to many people. For some it's the use of the latest technology or simply being, the first, while for others it's opening up new revenue streams through product and service diversification. The output of innovation also varies dependent on an individual business, for instance VR is one organisation's 'next thing', while it's another's pipe dream.

Although there is some grey around what innovation involves, we believe that, in its simplest form, it is the practice of developing and implementing new ideas and ways of working.

Drivers to innovation

The requirement for innovation has steadily risen to the top of the business agenda for a large number of corporates, nudging out the likes of experience and content on its way. Its rise is not coincidental and has largely been prompted by two key strategic drivers.

01 Shifting consumer behavior

02 Market disruptions

01

Shifting consumer behaviour

The past three years or so have seen a substantial shift in consumer behaviour, which has largely been attributed to the millennial demographic.

The largest consumer generation ever, millennials, is predicted to number *17 million in the UK* by 2019. A millennial is acknowledged as somebody born anytime between the early 1980s and the year 2000. As a generational cohort they are typically regarded as a bellwether group and catalyst for mass market adoption. If any behaviour is to be monitored it's theirs – and it has been.

Although a diverse group seeking recognition on an individual level, it is noted that collectively they have a fundamentally different attitude to life, brands and products than their slightly older Gen X counterparts. One distinguishing feature for millennials is that their perception of what is valuable has shifted. It's the experience that exists around a product or brand that makes it increasingly desirable, or at the very least preferable.



78%
of millennials said they would rather spend their money on experiences.

Source: PWC 2014

Consider how **Dominos** have made an experience out of *ordering a pizza*. Gone is the time when you have to scroll through a menu, select your crust, side and toppings. Instead it's as simple as picking up a mobile phone and posting a pizza emoji on Twitter for your favourite flavour for it to land at your door.

Today the organisations who are flourishing are those focused on creating an experience. This is highlighted no better than in Tom Goodwin's article *The Battle is for the Customer Interface* where he very concisely captures this shifting consumer landscape. "Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate." All of these organisations deliver a wonderful experience through a thin customer interface that sits over a more complex delivery system. It's the simplicity of that interface which is winning with millennials.



02

Market disruptors

There has been a rapid emergence of millennial-centric companies who understand their desire for experience. They are raising the bar and making their level of service the norm, not the exception. They are setting the benchmark for experience through better use of technology and true understanding of their consumers need.

However, what is interesting is that they're not innovating around new and different activity but enhancing recognised behaviour. In the case of Uber, the business is built around booking a taxi ride but they have completely changed the way that you can now hail a cab. Similarly, watching a film – if **Blockbuster** had made changes sooner they could potentially have been where Netflix is today.

Expanding on Blockbuster a little, (although this is not a new case study by any means) it perfectly captures what can happen when an organisation doesn't keep pace with consumers.

Blockbuster failed to recognise the 'why can't I' cry of their customers. In not doing this they allowed new start-up brands such as Netflix to redefine the film and video watching experience, resulting in the perception of their more traditional brand plummeting.



No one company is bigger than the environment it operates in or the fundamentals of their user needs. What Blockbuster failed to address quickly enough was a change in behaviour... if people stop going to your video shop, provide an alternative. The lesson? Stagnate at your peril.

Change in practice

Two industries that have been particularly disrupted by new market entrants are the travel and transport sectors.

Travel sector

Today's travel landscape is about taking the tailor-made to the extreme. Travellers are much more demanding. They are actively seeking out solutions that cater to their every whim, from finding the most authentic homestay in Peru, to managing their whole trip via their mobile.

The Airbnb story is an enviable one. Established in 2008 it has experienced incremental growth year-on-year, seeing its one millionth booking only three years after launch and only a year later in 2012 reported its 10 millionth night booked.

Yet, the company's success hasn't been without controversy: they have been investigated for *drip pricing* and contravening rental laws in the US.

However, they still continue to win industry plaudits and retain a broad and overwhelmingly positive relationship with consumers. This is largely due to the carefully crafted customer interface – Airbnb is simply a pleasure to use.

In light of its rapid growth, industry behemoths such as Hilton and **Marriott** have done much to reposition themselves in the accommodation space and compete with those whose heads have been turned by the likes of Airbnb.

Marriott to launched the *Travel Brilliantly* campaign in 2013, to much fanfare. It has since become an integral strand of the brand's product and service offering.

Travel Brilliantly was designed to present the hotelier's offer to a new generation of travellers by using technology and channels that resonate with them. They have employed a mix of VR, and social and partnered with the likes of *GoPro* in a bid to make the Marriott brand relevant to a generation of travellers who are constantly connected and experience-led.

Alternatively, **Hilton** has been looking at how they can be more relevant to a specific group of customers. Instead of fighting Airbnb, they have decided to focus their efforts on business travellers and develop a 'frictionless' experience that focuses on simplicity, control and convenience.

They are investing predominantly in mobile technology and putting power into their customers' hands, allowing them (pre-arrival) to select and customise their room via a branded mobile app which they can also use to do all manner of things during their stay, including unlocking their rooms.



57%

of millennials agree “Access is the new ownership.”

Source: PWC 2014

Transport sector

In a parallel to what we've seen across the travel sector, transport has experienced its own type of disruption and once again, it has been millennials shaping the agenda.

Millennials are huge proponents of the sharing economy; they no longer feel driven to own products as was the case with previous generational groups. They are very much of the ethos – why buy something if you can use it and get the same experience?

This has given rise to companies within the sector such as *Getaround*, *Spinlister* and *Just Park* that all offer some form of collective rental of transport solutions including cars, parking spaces, bikes, and even surf boards.

However, the established industry players, specifically car manufacturers, are (once again) readdressing their approach to this new behaviour.

As highlighted, previously within the travel sector there existed a tension between established brands and new, unknown start-ups disrupting and effectively taking business away through their knowledge of, and approach to, millennials' behaviour.

This tension is in part welcomed as it is forcing established corporates to re-address their ways of working and invest more in customer-centric solutions, which consequently puts innovation at the centre of what they do.



Audi's response to the sharing economy was Audi Unite – in their words a “collaborative car initiative that refashions mobility as a personalised micro-sharing experience”.

In simple terms, *Audi Unite* is an app that allows a group of friends or neighbours to share the use of an Audi by effectively coordinating diaries. Similarly, and more recently Ford launched *Ford Credit Link* as a US based pilot that allowed a group of friends/family to share a lease on one of the company's vehicles.

In addition to Audi and Ford, **Volvo** have also been making strong progress towards ensuring the car is an integral part of consumers' lives.

Its mission is to make life easier for its customers and one recent way they have delivered against this objective is with the launch of the *Roam Delivery Service*. This service is based on a digital key, which essentially is a temporary key that the car owner can create if they want to give a third party access to their vehicle at a given time. Under the Roam service the idea is that couriers can deliver food and other goods direct to the boot of a car.

Part 2

Adopting a model

Instigating change through innovation: four models

There are various ways in which organisations are attempting to build innovation into the fabric of what they do. Of the various methods and frameworks available there are four key models which have been favoured.

01 Internal Competition

02 Individual Catalyst

03 Outside In

04 The Lab

01

Internal competition

The internal competition model is based on organisations using their existing workforces as catalysts for innovation; primarily through the process of incentivising employees to generate ideas. These can come from any part of a business regardless of level, location, department or experience.

A notable example of a large organisation putting this model into practice is global media company **Thomson Reuters**. A few years ago the company found itself successfully meeting its growth requirements through rapid acquisition, but this was to the detriment of internal innovation.

In order to counter this, they set up the Catalyst Fund, which was a small pot of money to be used by internal teams from anywhere across the business to develop quick and cheap prototypes. It was promoted heavily around the organisation and in particular through the intranet. The first iteration was highly successful with 'five winners' seeing their ideas taken forward to an implementation stage.

That was back in 2014. Since then an innovation network has sprung up and it's the most visited part of the intranet, with over 250 ideas submitted to date and numerous Catalyst Fund projects already well into development.

In a similar way, the **Department of Work and Pensions** in the UK set up Idea Street, which created an 'internal market for ideas'. With over 90,000 employees and millions of customers, the department were struggling to stimulate a collective approach to innovation beyond providing a suggestion box for staff. Idea Street was presented an online ideas-management platform that was open to all to submit their thoughts on innovative ways to make cost savings.

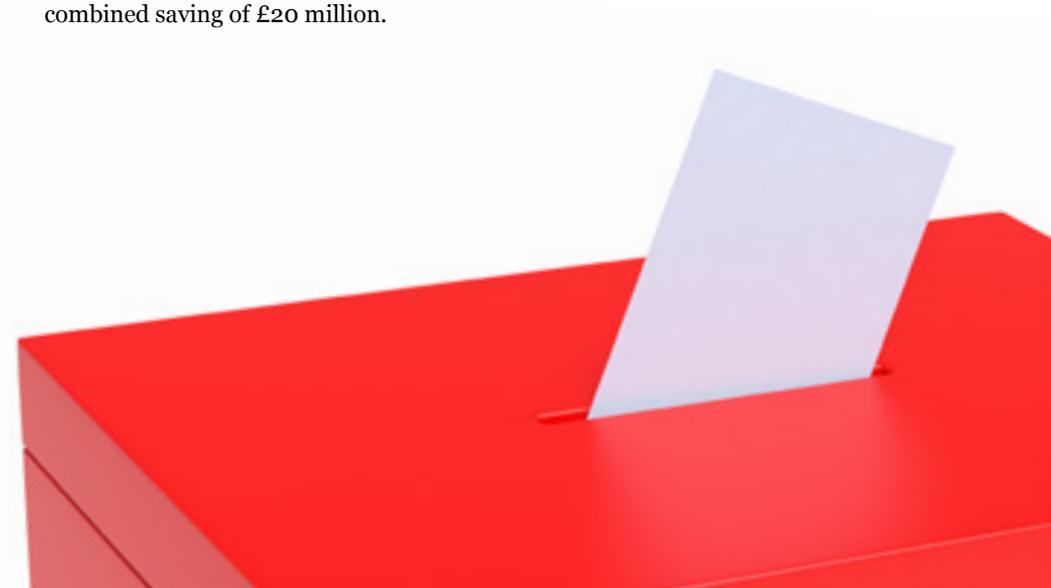
By the end of its first year (2012) it had over 4,500 employees signed up, had collected approx. 1,500 ideas of which 63 were implemented, with reports suggesting a combined saving of £20 million.

PROS

Innovation becomes part of an organisation's culture moving from a department or person to a collective attitude

CONS

Democratising innovation' by making it everyone's responsibility, often leads to a lack of progress as it becomes nobody's problem



02

Individual Catalyst

The individual catalyst model is simple: one individual is given the responsibility for 'innovation' within an organisation. In having one individual entirely focused on 'being innovative' it means they are not distracted by the process or politics that often can cause barriers to progress.

Over the past decade Stefan Olander has worked in various different roles for **Nike**, but his real opportunity came when he was appointed VP of the newly-created Digital Sport division in 2011. In this role he has been able to test ideas without constraints.

He has done this with the help of a team of hugely enthusiastic product managers and engineers, who from the start have been willing to take risks, hacking solutions together to deliver proofs of concept.

Olander and his team have managed to move Nike away from sitting solely in the apparel category to become an authority on sports technology, having introduced the world to Nike+ and the Fuelband.



PROS

When an organisation tasks an individual with driving innovation, they can focus on the job in hand and are accountable for success

CONS

Unfortunately, selected individuals who are initially favoured for their can-do attitude and perhaps maverick nature can quickly become divas

03

Outside In

The outside-in model is all about collaboration, and is pretty self-explanatory in that it involves bringing knowledge and expertise from outside of an organisation. It is one of the most common types of model and has been used to great effect by a number of well-known organisations.

It is a model that very much relies on an organisation's desire to focus all their efforts on their customers. It inspires co-creation and that collaborative effort between internal and external talent fundamentally revolves around the needs of a business's audience.

Heineken has very successfully applied this model. In 2012 they set up the Ideas Brewery platform.

A global online repository for the public to respond to briefs set by the organisation – one of the most popular being *create new beer concepts for the 60's generation*.

Hundreds of creatives, innovators and designers submitted insights and ideas which the company reviewed, awarding a share of a \$10,000 prize pot to the top three.

PROS

The outside-in model attracts a large pool of talent and essentially draws out the broadest range of ideas

CONS

An organisation tends to go outside because internal processes force them to, through bringing in a third party may actually make things even more complicated

Since its launch, the Ideas Brewery has transformed to become the *Innovators' Brewhouse*, a more formalised submission programme which is positioned as a "connected innovation space, open to entrepreneurs, inventors, universities, suppliers and great beer minds".

Adopting this model has essentially allowed Heineken to crowdsource insight and ideas at a global level, far beyond what may be possible within the confines of the internal organisation.



04

The Lab

The final model is The Lab. Typically, innovation labs are ring-fenced areas of a business that run under their own rules, which tend to be basic guidelines more than anything else. They focus on the use of internal resource rather than outside influence.

Over the past five years or so everyone from Hyatt Hotels and *British Airways*, to *Absolut* and *Hewlett Packard* have run innovation labs under one guise or another, each to varying degrees of success.

Dependent on the organisation, the execution can differ slightly, for instance for someone like global insurer **Aviva**, their main lab or '*digital garage*' - in Hoxton, London is separate from their working HQ in the city. A particular digital-first culture is promoted there, which revolves around customer needs.

Hot desking, open and collaborative working spaces, and multidisciplinary working are a given. Since its inception, work from the garage has included the development and launch of *MyAviva* and *Aviva Drive*. MyAviva is an app which brings together each customer's Aviva policies into one place. Whilst Aviva Drive, a first for the insurance world, was another app which was used to monitor driver behaviour.

Alternatively, a much smaller organisation like UK homeless charity Shelter, adopts a lab model that sees quarterly collaboration with staff on site.

PROS

Introducing a lab can really harness disruption on behalf of the organisation. Also, as with other models, it removes the barriers to progress that internal politics and processes can often bring

CONS

Unfortunately, the loose constraints around working can also mean that working from 'the lab' can feel more like a 'day out' of the office

Part 3

Pitfalls & progress

The innovation series

The Innovation Series has provided an open forum for rich and often very candid discussion about the process, pitfalls and progress surrounding the hugely topical area of innovation.

During June's event David Ward, Director of Innovation at Yodel, ran through some insightful tips, having very recently launched a lab at the organisation's HQ in Liverpool. He noted that there is a general element of luck involved with all things 'lab' but there are some fundamentals to ensure a successful start.

He was clear that it should be kept simple and small to start but bought into by at least one senior stakeholder. That simplicity extends to the actual physical set up which doesn't need to be anything more than a set of whiteboards, pens and chairs.

Within that space it is hugely important that the work has a sense of momentum and that participants' motivation is essential to any kind of tangible outcome. Ward told attendees it's a case of gritting your teeth and getting stuck in. Be determined and visible.



Grit your teeth and get stuck in. Be determined and visible."

David Ward,
Director of Innovation, Yodel.

Identifying the barriers to innovation

There are many barriers that make innovation seem, at times, impossible to truly achieve. From legacy systems to siloed working practices and crucially, the lack of measurable results. All of these are persistently cited as key blockers. However, taking a macro view, the primary barriers to instilling innovation neatly fall into two categories.

01
Bravery
and buy-in

02
Delivery

01

Bravery and buy-in

For many organisations, innovation is still very much a shadow on the horizon that they are moving towards, but believe will never quite fully embrace. In general, this feeling was attributed to the lack of priority and buy-in that innovation is often given.

Buy-in was discussed, not in the negative context of frustration that it may appear, but in recognition that the everyday does get in the way, despite everyone’s efforts to keep innovation on the agenda.

In these circumstances, innovation is recognised as a business need but is an unknown in terms of return, so often drops down the priority scale. For those yet to embrace innovation, the immediate challenge is how does it become ‘that’ priority?

We believe that, in these instances, it is a case of moving away from the label of innovation and very simply considering it as ‘problem solving’ around audience need – echoing the advice of Yodel’s David Ward.

In this way organisations can begin to adopt an iterative and incremental approach to product and service design and delivery which in itself instils an innovative culture and goes far beyond an ‘innovative job title’.

02

Delivery

For those organisations comfortable with innovation, the story is different – but not without problems.

It was expressed that in the cases where one of the innovation models (or similar) had been adopted there was immediate relief and alleviation of the ‘wood for the trees syndrome’ that was often experienced by those tasked with tackling innovation.

However, that respite was short-lived as interestingly it was more or less generally acknowledged that it wasn’t the implementation of the model that was the challenge.

It was in fact the actual execution and sustaining of momentum that presented, and continues to present, the most significant blocker to progress.

For those in the midst of working through the models and keeping the cycles going, it’s a question of ensuring the right people are in place to deliver and that progress is communicated.

We believe that businesses need to maintain momentum – even if that is a quarterly lab session, tackling one problem at a time. If it doesn’t work, communicate it and move on to the next challenge you’ve identified in the backlog.

Internal cultural change is a must

In the cases of bravery and buy-in, and delivery, the challenges are not insurmountable but require attention and an ongoing plan.

What binds these barriers is the need to shift the culture of the organisation. Unfortunately, a small pocket of enthusiastic participants isn't quite enough to deliver sustained end-to-end innovation.

To drive change through, organisations need to galvanise the support of the entire business by demonstrating that 'innovation' is fundamental to growth.

So, how do you achieve this? How is it possible to change the culture of an organisation without changing your CEO? Simply, it all goes back to the positioning of innovation along with a few other key considerations.

Five things to do

- Approach with caution
- Start small
- Know your audience
- Invite the outside-in
- Talk to one another



It's like we're a football team, we've got great players but nobody can score a goal."

Anne Vigouroux,
Senior Marketing Strategist, AXA

Five things to do

Approach with caution

Treat the concept of 'innovation' carefully – people have preconceptions so don't call it innovation.

1



2

Start small

Start small and show results. Even if a project is perceived as a failure, the work validates what not to do and where to focus next. Remember, it doesn't have to be big to be innovative.



Know your audience

It's critical to know and understand who you're talking to – they set the pace and nature of your work.

3



4

Invite the outside-in

Encourage the objective viewpoint – work with outside parties who can be neutral and see beyond some of the blockers an organisation can't see past.



5

Talk to each other

Communicate – be open, honest. Challenge resource but don't overstretch it. Embracing this approach will allow innovation to become more manageable and accepted as simply the way that an organisation works.



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We blend this technical expertise with innovative growth strategies to help brands keep pace with their consumers and ahead of the competition.

Founded in 1997 we are famous for our work for brands including The Royal Navy, National Trust, Kia, BP and Orange. We have recently added Honda Europe, The London Fire Brigade and The View from the Shard to our expanding client list.

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