

THE ALPHA FACTOR

Is your innovation really “disruptive?”

Don't be fooled that, just because it's different, it will change everything, including your future



How many times have you heard an enthusiastic employee say, “This new innovation we have will change everything?” Very few of those innovations, however, have a lasting effect or live up to the promise. So, how do you know if your innovation is truly “disruptive?”

Few companies seem to really have a solid grasp upon what “disruptive” innovation really is or how to achieve it. But creating innovation that changes the entire competitive environment to your favor can be far more predictable than you ever guessed.

Let's start with answering the question, “What is ‘disruptive’ innovation?”

According to Clayton Christensen, who seems to be the creator of this term in his books, The Innovator's Dilemma and The Innovator's Solution, a disruptive innovation is one that changes the direction of an industry, making most or all that went before it superfluous and forcing competitors to follow your lead. His application of this theory centers upon an innovator finding a product, process, business model, or technological improvement that can drive a unique advantage to the point of making an entire new business opportunity that did not exist before, and that improvement then changes the way most other competitors do business.

That's pretty heady stuff that few companies get to achieve, but Christensen makes a strong case for his idea, using a number of staid industries, such as steel manufacturing, as examples. His primary model for success involves finding a price advantage through technology or product improvement (or even a new

Continued on page 3

Finding sustainable, disruptive innovation ideas

All useful innovation starts with an idea that addresses an unmet functional need. Good innovations also create future growth by pointing the way to a “thread” of future innovations – i.e. logical innovations that build upon and improve the original innovation. But the most desirable innovations also allow the original innovator to maintain control over the innovation thread, rather than just creating opportunities for many other competitors, who may take control and become the leading future innovator. Maintaining control ensures the innovation thread will be sustainable for the original innovator.

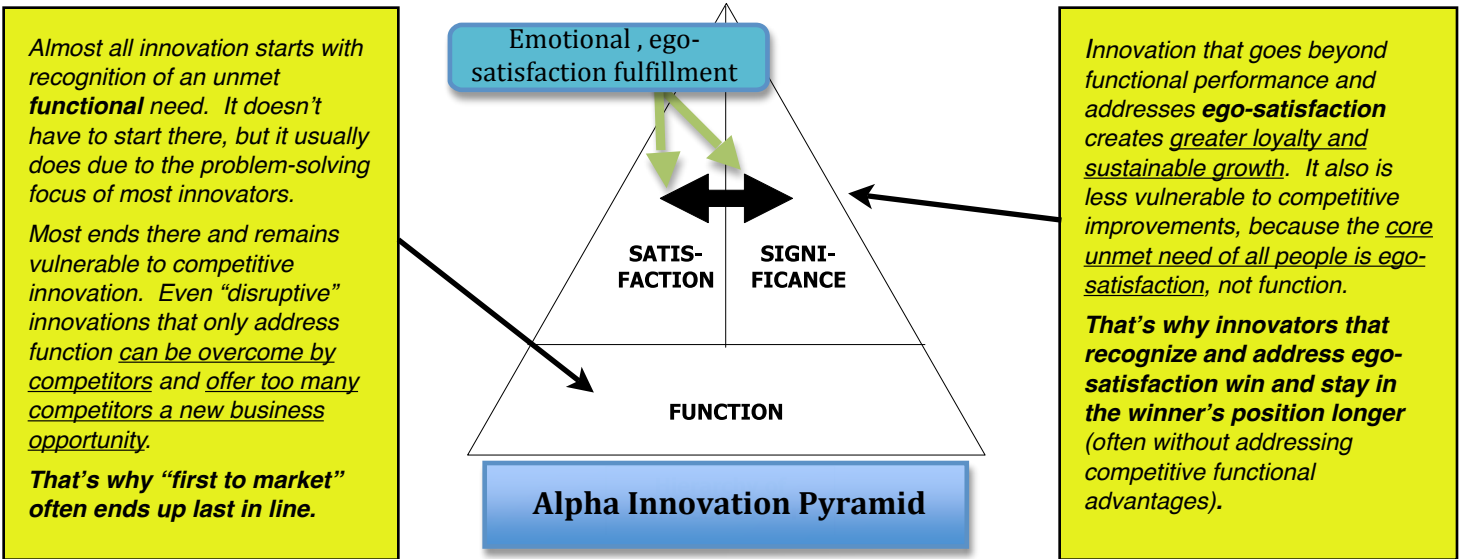
Harley-Davidson was able to achieve this until it recently lost its way. Apple seems to have achieved it with its iPod and iPhone. In

fact, Apple seems to be making the innovation thread expand to encompass its entire product line with new products like the MacBook Air and the iPod Touch. BMW and Mercedes have been able to do this, as well. In fact, most Alpha companies do this to some extent, although almost all of them could do it even better by recognizing how the Alpha model has been the driver of their success.

The way to accomplish this is through identifying not just the functional innovation opportunities, but also the ego-satisfaction opportunities. In fact, as the book, The Alpha Factor (Westlyn Publishing, 2008), explains in depth, it is far more advantageous to understand the unmet ego-satisfaction needs than the functional ones.

Continued on page 2

Alpha Innovation magnifies value of “disruptive” innovation



Finding sustainable, disruptive innovation ideas

(continued from front cover)

Many Alphas actually have products or services that are functionally inferior to those of their competitors. The controllable dominance they have generated comes through innovation on the ego-satisfaction side more than on the functional side. Function only serves to “prove” the promise of ego-satisfaction.

The key tool we use to identify both functional and ego-satisfaction innovation opportunities is the “*Key Drivers and Growth Opportunity Analysis*” research model.

This research model involves two phases to identify 1) current key drivers of decisions, 2) what customers *wish* were the key drivers of decisions other than price (*a very important thing to understand*), 3) what unmet functional and ego-satisfaction needs *could* be addressed, and 4) which of those needs will generate the greatest change in decision-maker behavior to our customer's benefit.

The first phase is a comprehensive quantitative analysis of the market category that reveals both the “what” and the “why” of customer decisions as well as the hidden strengths and weaknesses of competitors. The research utilizes the Alpha innovation model to reveal unmet needs beyond superficial responses to uncover deep, previously *unstated* needs.

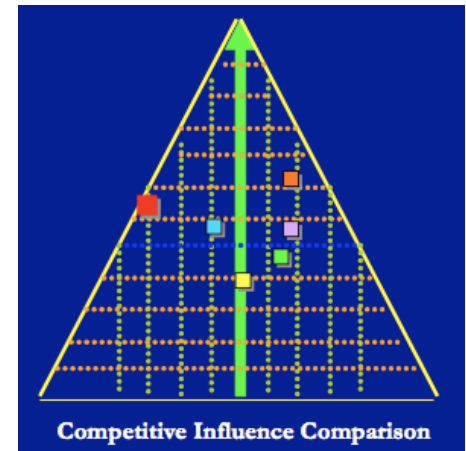
The second phase uses qualitative tools to test ideas for addressing the opportunities

identified. Rough ideas are tested, re-created with customers' help, and then re-tested in a further revised form. The final result is immediately usable innovations that have proven themselves capable of changing customer preferences and behavior.

We have discovered that these innovation concepts generate extremely disruptive results in a category. The most common result has been that competitors are stunned at the growth being generated by their once quiet competitor, but they can't figure out why what they are doing is working. They then try to compete functionally (product performance or features), and only reinforce the original innovator's new-found ego-satisfaction dominance.

Control of the innovation thread stays in the hands of the original innovator, as customer loyalty, price leverage, profitability, competitive dominance, control over customer and competitor decisions, and general resistance to economic downturns rises dramatically.

Don't misunderstand: this is not suggesting that traditional functional innovation is a waste of investment. It's just that *sustainable, controllable* innovation, especially “disruptive” innovation, can be more *predictably* generated through Alpha innovation than through traditional innovation methods.



The “*Key Drivers and Growth Opportunity Analysis*” research model is what we used to create almost all of the dramatic growth successes described in *The Alpha Factor*.

What surprises most companies is that this tool can be so comprehensive and drive so many useful insights, yet it costs no more than the typical “brand equity,” “attitude and usage,” or “customer satisfaction” study that generates no disruptive innovation ideas.

You can learn more about this robust, comprehensive innovation tool online at www.ballgroup.com. Or give us a call, and we would be happy to talk you through how the “*Key Drivers and Growth Opportunity Analysis*” research model could help you drive new, sustainable, controllable, disruptive innovation for your company.

Is it really “disruptive?”

(continued from front cover)

business model) that allows a competitor to take fringe customers away from the “big guys” in the industry.

Christensen’s model looks for under- or over-satisfied needs. In either case, he looks for an opportunity to create a new business model or new product to address these needs. Where needs are being over-satisfied, his model looks for ways to deliver a lower-priced version that satisfies less, but satisfies *just enough* to be useful to the customers being targeted. Where needs are under-satisfied, the innovator looks for opportunities to satisfy more or higher functional needs.

What is unique about the Alpha Innovation model is that it not only takes Christensen’s model to more predictable and higher levels, but it also allows disruptive innovation without functional innovation. And innovation that does not require functional R&D is far less costly. Surprisingly, in our 15 years of research, we also discovered that it is also far more predictably effective at creating disruption than product or technology innovations.

What Alpha Innovation adds is a more complete understanding of how customers make decisions. In both models, under- or over-satisfied needs are targeted. But, since the desire of most innovators is to identify

opportunities to generate more profit *sustainably*, that requires that one look at satisfying higher emotional needs in a way that takes away competitors’ ability to compete, increases customer loyalty, and makes customers more than happy to pay a higher price tag.

What the Alpha Factor research uncovered was that “ego-satisfaction” is the core of achieving that. The elements of “ego-satisfaction” are: *self-satisfaction* (how I feel about myself when I buy or use the product) and *personal significance* (how I think others perceived me when I buy or use the product).

Predictable disruptive innovation comes from spotting over- or under-satisfied functional needs and adding ego-satisfaction innovation on top of that. This Alpha Innovation *always* increases the disruptiveness, because it forces competitors to follow your lead. Best of all, you can know before you introduce your innovation just how disruptive it will be through pre-introduction research based upon the Alpha Innovation model.

Not all new ideas are truly “disruptive.” But, by using Alpha Innovation, you have a much better chance to predictably create innovations that change everything.

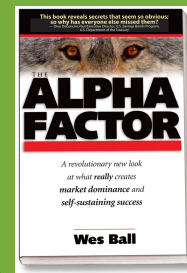
“The Alpha Factor is a must read for anyone with responsibility for revenue-side success...”

C.N., Spectrum Brands

“The Alpha Factor unveils the mystery to achieve market dominance...”

B.H., president, Annamar Assoc.

Learn the secrets that allow any company to create dramatic growth, no matter what the economy is doing.



Based upon more than 100,000 interviews and tests with more than 75 companies. Get your copy today at Amazon.com, Barnes&Noble.com, or at www.ballgroup.com

Keeping the really good ideas to yourself

What good is disruptive innovation that everyone else can use as well?

If you were to create a new technology, business model, or segmentation strategy, and everyone else said, “Yes, that’s what we’ve been looking for,” what real value would that be to you? All you would have achieved is to create a new competitive battleground that you may or may not be able to dominate. All too many “first-to-market” innovators have watched competitors take over the innovation thread and dominate the category.

The fascinating thing about Alpha innovation is that competitors cannot easily overcome the initial innovator. They cannot easily jump in and take over the innovation thread, because it is not based solely upon functionality.

The secret is in using the Alpha model rather than traditional innovation models.

When innovation focuses upon functional improvement, including technology, business model changes, segmentation strategies, niche markets, etc., the window of dominance is short and fraught with vulnerability.

If Apple had just innovated the iPhone to be a functional improvement upon the idea of the “smart” phone, it would have just been one more option rather than becoming the disruptive, dominant player in the category in a short period of time. RIM’s BlackBerry, on the other hand, was the real breakthrough technology, but it is only a distant second to the iPhone in its appeal, price leverage, and potential as long as Apple recognizes how it got there.

By focusing upon ego-satisfaction *supported* by functional performance and features that *prove* those ego-satisfaction benefits, the Alpha innovator creates a chasm that can only be crossed by a competitor through new disruptive innovation OR by creating a break in the innovation thread of the Alpha innovator.

Harley-Davidson is losing its Alpha status to a myriad of other motorcycle brands, because it failed to recognize and maintain the innovation thread it needed to follow. Too many other brands out-“Harleyed” Harley-Davidson.

If you want to keep the *good* ideas to yourself and make everyone else have to follow your lead, the only guaranteed way to accomplish that is through Alpha innovation addressing ego-satisfaction.

How can you make more of your innovations “disruptive?”

What is the secret to consistently finding and creating innovations that are *sustainably* disruptive?

Does disruptive innovation have to be technology-based?

How do you keep competitors from taking your disruptive innovation and making themselves the master of its future?

Learn all this and more in this issue!

IN THIS ISSUE

Disruptive Innovation

- 1** What is disruptive innovation and how can you tell the
Cover
- 2** How disruptive innovation is magnified by Alpha learning and gives you control over its future
2
- 3** Getting to sustainable, disruptive innovations quickly and inexpensively with the Alpha
Cover
- 4** Keeping the best ideas out of the hands of your competitors is the best way to sustain
3

“If you want to create the future, look beyond the obvious that everyone else sees.”



STRATEGIC INNOVATION
TOOLS FOR LEADERS
307 Harvest Drive
Lititz, PA 17543