The “Market Reader”
Innovation Strategy
Profile and Capability
Requirements
The Market Reader

Market Readers watch their customers and competitors carefully, focusing largely on creating value through incremental change and capitalizing on proven market trends.

Innovation capabilities enable companies to perform specific functions in all stages of the R&D value chain—ideation, project selection, product development, and commercialization. By analyzing the innovation capabilities of top-performing companies pursuing different innovation strategies—whether Need Seeker, Market Reader, or Technology Driver—we have identified the critical innovation capabilities. These can be split into a set of cross-strategy/shared capabilities and three capability sets that are each specific to one of the innovation strategies.

Cross-Strategy/Shared Capabilities

Regardless of innovation strategy, all successful companies depend on a shared set of critical capabilities at different moments in the value chain in order to have a “way to play” in innovation:

Ideation

- **Broad consumer and customer insights:** Regardless of strategy, innovators must be able to translate consumer and customer needs into new products and services. Market Readers need to always know what consumers/customers are looking for to be able to deliver successfully differentiated alternatives.

- **Understanding of emerging technologies and trends:** For Market Readers it is important to stay abreast of emerging technologies and trends, which can be quickly adapted and applied to proven market trends.

Product Development

- **Engagement with customers to prove real-world feasibility:** Market Readers especially need to be in constant contact with their customers to understand what is successful in the marketplace and how new introductions could build on those successes.

- **Product platform management:** In order for Market Readers to be able to move quickly on the latest market trends, they need to leverage existing product platforms.

Commercialization

- **Pilot user selection/controlled rollouts:** Market Readers must time and prioritize rollouts to hit short and localized opportunity windows, by targeting consumers/customers that are seeking alternatives.
Capabilities Specific to the Market Reader

In order to create value through incremental change and being able to be a “fast follower,” the Market Reader requires the following specific set of critical capabilities:

Project Selection

- **Project resource requirements forecasting and planning:** Because market trends shift, Market Readers should be able to reallocate project resources mid-process depending on the development of the opportunities.

- **Rigorous decision making around portfolio trade-offs:** Market Readers must constantly be willing to kill projects to keep the business nimble and to chase opportunities with limited resources.

- **Ongoing assessment of market potential:** In order not to risk missing the limited second-mover opportunity window, Market Readers must be able to capture the upswing of major trends.

Product Development

- **Supplier/partner engagement in the product development process:** To quickly capitalize on proven market trends, Market Readers require rapid product development, which is enabled by close supplier/partner engagement.

The Coherent Innovator

Focusing on the right set of capabilities is essential for innovation performance. Companies that focus on a consistent set of capabilities, perform these capabilities well, and align their innovation strategy with their overall corporate strategy can be said to be coherent.

In the 2010 Innovation 1000 study, we found that coherent companies gain what we call a “coherence premium,” which is demonstrated in their ability to outperform their peers.

We found that companies ranked in the top third in terms of coherence had 22 percent higher profit margins than other companies, on average, and achieved 18 percent greater market capitalization growth.

Learn more about the Coherence Premium
www.booz.com/global/home/what_we_think/capabilities_driven_strategy
Capability Sets of Top Performers

The top-performing companies in each of the innovation strategies, whether they were classified as Need Seekers, Market Readers, or Technology Drivers, all agreed on a shared set of critical innovation capabilities. In addition, for each of the three strategies, a distinct set of capabilities ranked among the most critical (see figure 1).

Figure 1
Capability Sets Identified as Key by Top 25% Performers in Each Strategy

Sources: Bloomberg data; 2010 Booz & Company Innovation 1000 survey
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