



Canadian **Innovation** Centre

# Innovation Success

Can Innovation be managed?



Canadian **Innovation** Centre

PDMA Ontario

4/28/2009

# Why Bother with 3rd-Party Validation?



A presentation for the Ontario  
Chapter of the Product  
Development and Management  
Association, April 2009



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# Overview

- What I'm going to describe....
  - Product innovation – endless frustration?
  - Just who is the CIC?
  - 3<sup>rd</sup>-Party validation
    - What is it (and what isn't it)
    - When
    - Breadth and depth
    - Cost vs Value
  - Market validation vs Market research
  - Buying 3<sup>rd</sup>-party Validation
  - In closing....



“Human beings, are almost unique [among animals] in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so.”

Douglas Adams



# Product Innovation

## A Lesson in Endless Frustration?

- You have a great “product idea” but are “lost”
- Organizations available and want to “assist”
- Investors want to “profit”
- Market wants “buy”

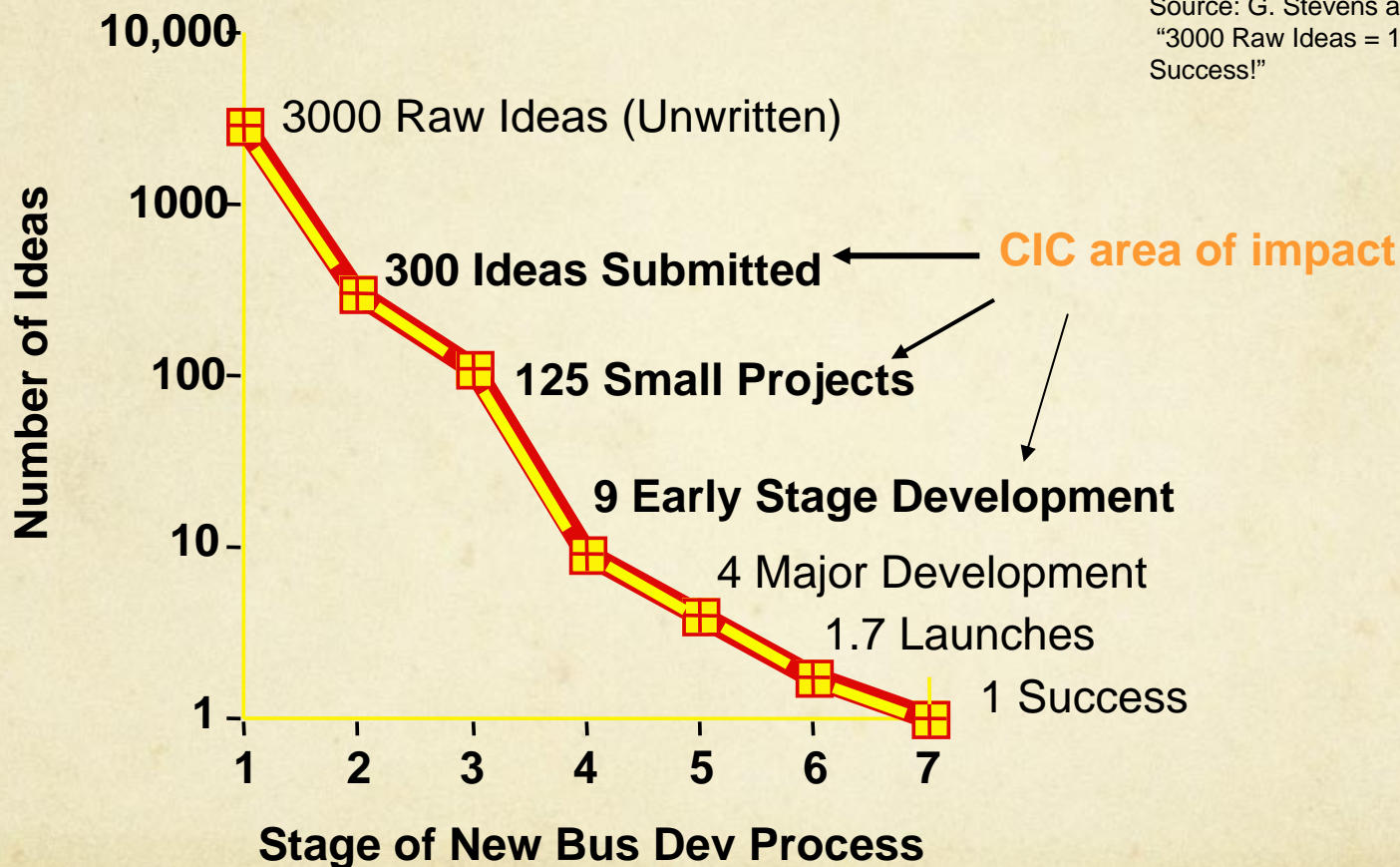
Yet the vast majority of product innovators are ultimately frustrated and get nowhere after using up inordinate amounts of time, money, and goodwill.

Why?



# Remember This Slide!

Source: G. Stevens and J. Burley,  
"3000 Raw Ideas = 1 Commercial  
Success!"



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# CIC = Insight

- Since 1981, CIC has assisted over 70,000 Canadian inventors and entrepreneurs and has evaluated over 20,000 new product ideas. We continue to provide a range of programs to assist inventors and innovators across Canada.
- We validate assumptions and intended direction through market research and experience.
- Not-for-profit.



# CIC = Insight

- “Experts at the Canadian [Innovation Centre] are reasonably accurate forecasters of the future commercialization of new product ideas. Over a period of five years [1998 to 2003] the experts were able to correctly classify 79% of the ventures. Such performance is impressive....”

Thomas Asterbro (Rotman School of Management, U of Toronto)

Derek J. Koehler (Department of Psychology, U of Waterloo)



# CIC = Insight

- Broad range of industry expertise:
  - Software/computer-based 21%
  - Medical/Health 20%
  - Industrial/Manufacturing 19%
  - Agriculture 7%
  - Energy/Environment 7%



# CIC = Insight

- What can we tell you?
  - This appears to have unrecoverable problems
  - This appears to have significant, possibly resolvable issues
  - This is appears sound but there are several hurdles
  - This appears sound but consider this market alternative
  - This appears sound and this is the next logical step

Our role is to be the devil's advocate!



# 3rd-Party Validation

## What is it?

- An objective review by an arm's length person or organization who has...
  - Experience with proposed market
  - Experience with technology involved
  - Experience with new innovators
  - Experience with support organizations
  - Experience with investors
- And can provide an articulate, defensible assessment



# 3rd-Party Validation

## What is it NOT?

- A guarantee of anything, to anyone...
  - That your innovation “deserves” funding
  - That you are unique in the market
  - That people will beat a path to your door
  - That you should stop (or continue)
- And it should not be a wishy-washy, uninformative, unclear, assessment with no specific recommendations.



# 3rd-Party Validation

## When? How soon/late?

- A difficult question to answer but the short answer is, sooner is typically better.
  - Most people who come to the CIC come a bit on the late side, very few come too early.
- Initial market validation by a 3<sup>rd</sup>-party, should be quick and relatively inexpensive.
  - The goal is to quantify and qualify: to establish a baseline
  - Also to consider (but not necessarily decide on) initial market approach – which market(s) to target first?
- Plan on several small validations as opposed to one big one.



# 3rd-Party Validation Breadth and Depth?

- Breadth research costs more money than depth.
  - Best done by an experienced 3<sup>rd</sup>-party
  - Often surprising results
- Depth in the wrong area (market?) is a waste.
  - Significant depth research can be done personally, benefits from 3<sup>rd</sup>-party guidance
- Early validation often is requested for depth in a particular area but without sufficient breadth consideration.



# 3rd-Party Validation

## Breadth – What is it?

- Breadth research considers the question: Of all the “things” that are going on in the world....
  - Where might this innovation have an application?
  - What differences could be expected based on geography, culture, political climate, sales channels?
  - How does timing (time to market) come in to play?
  - Are there other innovations/products/technologies/services that could infringe on you?
- What appears to be the easiest/most practical market entry points?



# 3rd-Party Validation Depth – What is it?

- Depth research considers the question: Which of my potential initial target markets appears best to proceed with?
  - Minimal, ideal, and maximum functionality for an entry product?
  - Sales opportunity/basis
  - Competitors
  - Timing
  - Costs/return
- For a specific market vertical, how much (and what) can I document before jumping in?



# 3rd-Party Validation

## Cost vs Value?

- Market research is a mystery that has little basis in demonstrable fact – might as well be witchcraft. Or so many think.
- Proper(ish) market research is likely going to cost a few thousand dollars.
- The value, can be significant:
  - Resources spent on a project that should be killed
  - Pursuing the wrong initial market
  - Unclear next steps
  - Make an incredible story credible



# Value of 3<sup>rd</sup> Party Validation

- Gives you a reality check
- Your innovation....
  - Will cost you more in money, time, and goodwill than you can possibly imagine.
  - Is statistically unlikely to succeed, however will teach you lessons you need for the next one.
  - May have a profitable market opportunity that is different from the one you envision.
  - Is worth far less to an investor than you think, wish, dream (need).
  - Is not wanted/needed by half the people you think.



# Market Validation vs Research

- Validation's goal is to
  - Confirm the presence of a market
  - Suggest an appropriate entry point/strategy
  - Identify first customer characteristics
- Research's goal is to:
  - Identify addressable size of a market
  - Identify characteristics of market segments
  - Identify early and late markets
- 70% of the innovators with positive market validation by the CIC were successful within five years.



# Buying 3<sup>rd</sup> Party Validation

- Can you respect a negative answer?
- Formal research process? Is it consistent?
- Benchmark of success and accuracy?
- Recommendations as well as diagnosis?
- Industry experience?
- References from others?



# Product Innovation...

- Innovation is a natural trait of humans – we make “things”.
- The path for commercialization of a new product is far from natural – the odds are stacked against you.
- Any given product innovation likely has several opportunities – only some of which are clear to you.
- Most product innovations should be killed off early – for a variety of reasons which may or may not include that it is a “bad” idea.



# Product Innovation

- Involve specialists in a timely, cost effective manner – surrounding yourself with people who agree with you does not make “innovator sense”.
- Have a timeline and stick to it – urgency is a real qualifier of reality and “*innovator sense*”.
- Starting small and demonstrating success is usually wise – for all current and future stakeholders.



# Product Innovation...

- Document and clarify your actions and steps – deal with your innovation as if it were someone else’s and you worked for them.
- Manage new product development as a real, named, “project”. Follow industry standard product and project management guidelines and process.

