TEN TYPES OF INNOVATION

THE BUILDING BLOCKS OF BREAKTHROUGHS

At the heart of any new discipline there often lies a simple, organizing system—an underlying structure and order governing what works and what fails. This is what the Ten Types of Innovation® framework brings to innovation. Consciously understanding it makes innovation easier and more effective.

WE DISCOVERED THE TEN TYPES OF INNOVATION IN 1998. SINCE THEN WE HAVE LEARNED:

Innovation mostly fails. It doesn’t need to. You shouldn’t let it.

Innovation almost never fails due to a lack of creativity. It’s almost always because of a lack of discipline.

The most certain way to fail is to focus only on products. Successful innovators use many types of innovation.

Successful innovators analyze the patterns of innovation in their industry. Then they make conscious, considered choices to innovate in different ways.

Innovations can be broken down and analyzed. When you do so, you will learn why most fail and a few succeed.

Innovations can be built up systematically. Doing so increases your odds of success exponentially.
The Ten Types framework is simple and intuitive. It is a useful tool you can use both to diagnose and enrich an innovation you’re working on, or to analyze existing competition. It makes it especially easy to spot errors of omission—missing dimensions that will make a concept stronger.

### Configuration

<table>
<thead>
<tr>
<th>Profit Model</th>
<th>Network</th>
<th>Structure</th>
<th>Process</th>
<th>Product Performance</th>
<th>Product System</th>
<th>Service</th>
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<th>Customer Engagement</th>
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<tr>
<td><strong>Profit Model</strong>&lt;br&gt;The way in which you make money</td>
<td><strong>Network</strong>&lt;br&gt;Connections with others to create value</td>
<td><strong>Structure</strong>&lt;br&gt;Alignment of your talent and assets</td>
<td><strong>Process</strong>&lt;br&gt;Signature or superior methods for doing your work</td>
<td><strong>Product Performance</strong>&lt;br&gt;Distinguishing features and functionality</td>
<td><strong>Product System</strong>&lt;br&gt;Complementary products and services</td>
<td><strong>Service</strong>&lt;br&gt;Support and enhancements that surround your offerings</td>
<td><strong>Channel</strong>&lt;br&gt;Your offerings are delivered to customers and users</td>
<td><strong>Brand</strong>&lt;br&gt;Representation of your offerings and business</td>
<td><strong>Customer Engagement</strong>&lt;br&gt;Distinctive interactions you foster</td>
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<tr>
<td>For example, how Netflix turned the video rental industry on its head by implementing a subscription model</td>
<td>For example, how Target works with renowned external designers to differentiate itself</td>
<td>For example, how Whole Foods has built a robust feedback system for internal teams</td>
<td>For example, how Zara’s “fast fashion” strategy moves its clothing from sketch to shelf in record time</td>
<td>For example, how COM Good Grips cost a premium but its “universal design” has a loyal following</td>
<td>For example, how Nike+ parlayed shoes, sensors, apps and devices into a sport lifestyle suite</td>
<td>For example, how “Deliver WOW through service” in Zappos’ #1 internal core value</td>
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<td>For example, how Virgin extends its brand into sectors ranging from soft drinks to space travel</td>
<td>For example, how Nespresso locks in customers with its useful members only club</td>
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### Six Principles for Using the Ten Types Effectively

1. **UNDERSTAND ALL TEN TYPES**<br>Virtually all projects can improve just by knowing and deeply understanding the value and subtleties of each of the types.

2. **DE-EMPHASIZE RELIANCE ON PRODUCTS AND TECHNOLOGY**<br>These are the easiest capabilities for competitors to copy.

3. **THINK ABOUT CATEGORIES AS WELL AS TYPES**<br>Consciously try to imagine new ways to configure assets, build platforms, and foster fresh experiences.

4. **USE THE TYPES THAT MATTER MOST**<br>Use diagnostics to understand which types you and others in your industry tend to overlook.

5. **UNDERSTAND WHAT YOUR USERS REALLY NEED**<br>User research can help you know what is relevant to customers and what surprises other types might help to deliver.

6. **USE ENOUGH OF THE TYPES TO MAKE A SPLASH**<br>Using five or more types, integrated with care, is nearly always enough to reinvent a category and become newsworthy.

### Strength in Numbers

Simple innovations use one or two types of innovation and every company needs to pursue them. Failure to consistently, relentlessly improve the known is one of the surest routes to failure. Unfortunately, too many firms do only simple innovation. In today’s contested markets, simple innovations alone are never enough for long-term success. They can build a lead on competitors, but they don’t create the firms, brands, or platforms that thrill us.

When a market grows up and gets complicated, it demands more sophisticated innovation, which uses many types of innovation combined elegantly and orchestrated with care. Under the covers, inside your firm, these require working across internal boundaries and silos—challenges that bring additional complexity. You can cut through this with multi-disciplinary teams to bring in the necessary talent and knowledge, and with systems in place to tell everyone how they can tackle tough challenges with curiosity, confidence, and courage.

Naturally, sophisticated innovations are more difficult to pull off, not least because they have longer development horizons than simple innovations. But consider the flip side: once you launch them, they are likely both to delight customers and confound competitors. Often you will be able to succeed with them for years before challengers can catch up. Almost all of the enterprises that we identify as leading innovators routinely use multiple types of innovation—and handily outperform the average firms that innovate more naively.

### UNDERSTAND ALL TEN TYPES

**Rationale:**
- **Use:**
  - Helps you gain a comprehensive understanding of the innovation landscape.
  - Enables you to identify gaps and opportunities for innovation.
- **Antidote:**
  - Relying on only one or two types of innovation.

**Example:**
- **Netflix:** Changed the video rental industry by implementing a subscription model.
- **Wii:** Revolutionized the gaming industry with its innovative motion controls.

**Implementation:**
- Conduct a detailed analysis of your current innovation strategy.
- Identify how many types of innovation you are currently using.
- Develop a plan to integrate additional types where appropriate.

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### DE-EMPHASIZE RELIANCE ON PRODUCTS AND TECHNOLOGY

**Rationale:**
- **Use:**
  - Reduces dependency on existing products and technology.
  - Allows for more creative and flexible innovation strategies.
- **Antidote:**
  - Over-reliance on existing product offerings.

**Example:**
- **Virgin:** Expanded beyond airlines to include music, mobile services, and more.
- **Tesla:** Diversified from electric cars to energy storage solutions.

**Implementation:**
- Assess your current portfolio for opportunities to extend beyond traditional product boundaries.
- Develop new offerings that leverage your core competencies and market knowledge.

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### THINK ABOUT CATEGORIES AS WELL AS TYPES

**Rationale:**
- **Use:**
  - Enables you to think beyond discrete product improvements.
  - Encourages the development of ecosystems and platforms.
- **Antidote:**
  - Focusing exclusively on product features and functionalities.

**Example:**
- **Amazon:** Parlayed its e-commerce platform into a range of value-added services and products.
- **Spotify:** Transformed music consumption with a robust ecosystem of artists, labels, and listeners.

**Implementation:**
- Conduct a comprehensive mapping of potential categories and types to explore.
- Identify opportunities to combine assets and capabilities across categories.

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### USE THE TYPES THAT MATTER MOST

**Rationale:**
- **Use:**
  - Prioritizes innovation efforts on the most impactful types.
  - Allocates resources efficiently.
- **Antidote:**
  - Not paying enough attention to certain types.

**Example:**
- **Zappos:** Focused on its #1 internal core value of “Deliver WOW through service,” leading to superior customer experiences.
- **Walt Disney:** Emphasized storytelling and character development as central to its brand.

**Implementation:**
- Identify the ten types of innovation within your industry.
- Prioritize the types that align most closely with your company’s strategic objectives.
- Allocate resources and efforts accordingly.

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### UNDERSTAND WHAT YOUR USERS REALLY NEED

**Rationale:**
- **Use:**
  - Aligns innovation efforts with customer needs.
  - Enhances user satisfaction and engagement.
- **Antidote:**
  - Failing to understand user needs.

**Example:**
- **Nike:** Developed the Nike+ running app to connect users with a community of like-minded runners.
- **Starbucks:** Created a mobile payment solution to simplify in-store transactions.

**Implementation:**
- Conduct user research and surveys to gain insights into what your users truly need.
- Use this information to inform your innovation strategy and decision-making.

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### USE ENOUGH OF THE TYPES TO MAKE A SPLASH

**Rationale:**
- **Use:**
  - Ensures a significant and meaningful impact with your innovation efforts.
  - Attracts attention and builds momentum.
- **Antidote:**
  - Using too few types to create an impact.

**Example:**
- **Whole Foods:** Parlayed its position as a premium retailer into a broader lifestyle brand.
- **Tesla:** Combined electric vehicles with solar energy products to create a comprehensive sustainability solution.

**Implementation:**
- Identify the types of innovation that will make the most significant impact on your market.
- Integrate these types into your overall innovation strategy.
- Collaborate with partners and stakeholders to extend the reach and impact of your innovation efforts.
Founded in San Francisco in 2000, Method was the brainchild of two roommates-turned-entrepreneurs. Branding expert Eric Ryan teamed up with former climate scientist Adam Lowry to create a non-toxic line of natural home care products. The various offerings are now sold in more than 40,000 retailers worldwide, including Target, Whole Foods, and Kroger. In 2012, the company was bought by European eco-pioneer Ecover to form what was described as “the world’s largest green cleaning company.”

With a strong emphasis on sustainability and environmental sensitivity, the vast majority of Method’s cleaning bottles are made from 100% post-consumer recycled plastic while the company itself is a “Cradle to Cradle” endorsed company; more than 60 of its products are certified with the C2C stamp of environmentally friendly approval. Internally, Method practices what it preaches: it offsets its carbon emissions, works within a LEED-certified sustainable office, and it does not test its products on animals.

Method has also innovated its brand, building a company that stands for much more than just tedious cleaning. As well as being eco-friendly, packaging has been designed to be both colorful and countertop-friendly, while the company not only has a wide following on leading home decor and design blogs, but also hosts its own community site, known as “People Against Dirty.”

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