How to Make a New Product Unique

Also contributing to this entry were Booz & Company senior executive advisors Shaun Holliday and Marc Robinson.

In a previous blog post, we explained why sustainable consumer product introductions are rare. We said two factors help a company stand out from the competition when introducing a new offering:

1. Unique product attributes (difficult for rivals to copy), in technology, packaging, customer experience, or design

2. Differentiated capabilities that create coherence in your company—an alignment between your business strategy and your portfolio of products

How can this inherently tricky blend be achieved? Kraft, in the food and beverage industry, offers one example. Until 2010, its strategy for launching products fared badly. Kraft tended to invest in small ideas that did not attract customers as expected. As Kraft Foods head of innovation Barry Calpino explained it at a presentation at a Consumer Analyst Group of New York conference in February 2013, the company acquired a reputation for poor execution and a lack of vision.

“Innovation went from being one of our biggest weaknesses,” Calpino said, “to one of our biggest strengths.” Kraft accomplished this through a dramatic turnaround in its choice of new products to support—looking for major breakthroughs that would be more difficult to copy. The first step was a thorough review by top management of the firm’s approach to new ideas. The company also hired a strong leader in innovation who was passionate about the work. Senior management, including the CEO, took part in quarterly discussions about new products, which were sometimes brutally candid (in one meeting, the staff acknowledged that their results were the worst in “every study, by any measure”).

Kraft’s leaders also promoted coherence, linking their innovation capabilities tightly to their business strategy. They doubled down on the product launch bets that made full use of Kraft’s capabilities. This meant introducing fewer, bigger, and better products than before, developed over longer time frames with more effective execution. Members of the innovation team worked in partnership with colleagues in supply chain and marketing. They invested heavily in getting closer to consumers through traditional in-home testing, as well as through partnerships with psychologists, anthropologists, and chefs. (One partnership was with SodaStream, which we mentioned in that earlier blog post.) Most important, the culture of the organization changed from one of silos, largely indifferent to one another, to one of intensive cross-functional alignment, with a strong feeling of mutual commitment.

The efficacy of this approach quickly became apparent with the development of platforms like Philadelphia Cooking Creme, Oscar Mayer Selects, and Velveeta Cheesy Skillets. One of Kraft’s most successful launches was Mio liquid flavor—a unique portable podlike package containing mixes for about 24 servings of flavored water. This launch drew heavily on consumer insights, and involved some unique product attributes. Mio had flavors customized specifically to consumer preferences; it was easier to carry than bottled beverages but more convenient than powders. It attracted young consumers who were interested in fitness and well-being, and it had distinctive, spill-proof packaging, designed to fit neatly in a bag without causing a mess.

Kraft married these unique product attributes with a fit-for-purpose set of differentiated capabilities to create coherence. Its market researchers, keenly aware of the interests of the target demographic, coordinated branding and social media to promote the theme “your drink, your way.” A YouTube campaign featuring Second City’s Sassy Gay Friend (whose online cavorting was a viral hit) helped to boost Mio’s popularity, and Kraft gave away 100,000 free samples on Facebook. Within a year, Mio’s sales hit US$100 million, and it won awards from Nielsen and Walmart. In line with its innovation mission, Kraft created not just a new product, but also a platform from which to build. Since then, Kraft has introduced Mio Fit and Mio Energy—flavorings with electrolytes, B vitamins, and caffeine—while also using the Mio platform for sister brands Crystal Light and Kool-Aid.

Establishing that kind of advantage—unique product attributes, supported by a differentiated set of capabilities to buoy them up—is harder than it seems at first glance. Essentially, it involves making a big bet on a very few capabilities, and giving up all the other activities that don’t feed into that commitment. You have to know what makes your product attributes unique, and build the differentiating capabilities that reinforce your product’s uniqueness.

We suggest this four-step strategy to create a great product coupled with a coherent capabilities system.

1. Articulate how your company or division’s innovation approach fits with its overall strategy. For example, is your company a premium or a value player, a technological pioneer or a fast follower?

2. Identify the needs—articulated and unarticulated—of the particular consumers you have chosen to reach, and figure out how your new products can meet those needs.

3. Devise a group of differentiated innovation capabilities that will sustain those new products. For example, are you going to win by getting closer to the consumer using proactive market insights? Are you going to beat your competition with distribution through your superior front-of-store prowess? Will you employ claims-based research to out-market the upstarts? If these capabilities are too common and generic, your competitors will too easily copy them. If they are too complex and specialized, you may destroy your margin value. Try to find capabilities that complement one another so that they are mutually reinforcing and make the most of your investment in them.

If your company is a fast follower, for instance, you will need strong market insights and the ability to react quickly. You will need a responsive supply chain and the ability to adapt with agility as the market changes. You would not build a low-cost manufacturing capability, which would compromise quality and conflict with your unique advantage. On the other hand, if your innovation strategy is built around value, then you will need to put efficiency and cost foremost in your operations.

4. Remember that not every product will be wildly successful. Fail fast, fail cheap, and create a culture of thoughtful risk taking.

Innovation of this sort represents a shift of attitude that takes getting used to. But a growing number of companies are making this approach work. Ranging from old-line incumbents like 3M and IBM to relatively young entrepreneurial successes like Pixar and Keurig, they have shown that the principle can work: When you intentionally marry unique product attributes with a differentiated capabilities system, you can out-innovate your competitors and deliver superior returns.

A research paper by Alex Kandybin and Adam Michaels outlining the empirical evidence behind this strategy is under development.