

## Opportunity Genesis: Following the Paper Trail to Innovation Success

**Client:** *World Leader in Retail Transaction Systems*

**Challenge:** Working with the Chief Technology Officer, the mission was to revitalize a flagging retail transaction system product offering. The market and product segments of the client were showing severe signs of commoditization. Lower cost, generic offerings from Asia were capturing increasing share of the market. Opportunities for differentiation seemed limited. **You want to create growth opportunities within your current markets, but lack the means for differentiating your offering from the competition.**

**Diagnosis:** A quick review of available market information underscored the client's rapidly eroding market position. This review also identified the client's singular focus on the hardware side of the solution equation. Although the client's systems interacted with the retail POS software, the client's contribution to the system was viewed solely as a hardware peripheral.

Hardware cost was viewed by the client as the primary driver for the success of the Asian competition. However, there seemed to be more taking place than simple pricing competition. Something appeared to be changing the relationship among the system components, and hence the value equation, among the retail transaction system elements.

In order to support the client's desire to revitalize the product offering, and gain a sustainable competitive advantage, Product Genesis employed an Opportunity Discovery (OD) methodology. This approach allowed the client to see learn first hand from key customers and stakeholders about the changing dynamics driving the value of components within the retail transaction system. Based on an understanding of these dynamics and emerging user and stakeholder needs a sustainable innovation plan could be developed. **You really have to understand user and stakeholder dynamics before investing in innovation.**

**Methodology:** Product Genesis' Opportunity Discovery is a powerful set of tools. Its first group of modules provides a framework to capture voice of the customer, stakeholder, thought leader and lead-user to gain thorough insights into market and user, needs and dynamics. Video ethnographic studies in the use environment were employed to gain greater insights into unmet and unstated needs. One of the key outputs of

the retail transaction, the receipt, was profiled through a series of "cradle to grave" tracking studies to understand both material and information interactions from its creation through its ultimate (or immediate) disposal.

In addition to the user and stakeholder research, background research was conducted into the evolving relationships among the hardware and software elements of retail transaction systems. Key transitions were profiled; including paper to electronic journal, hardware upgrade cycles (10 years), software upgrade cycles (4 years), networked systems for returns processing, order pickup, customer loyalty programs, partner retailers, etc. This research, combined with the ethnography and in-depth interviews, yielded a rich understanding of the changing relationship of system elements in the retail environment. Unmet needs and emerging requirements pointed to opportunities to add value through evolving the role of the client's products. **Shifting perspective avoided the commodity trap.**

**Results:** Our analysis pointed to ways to refocus the core purpose of the client's offering. Rather than taking the perspective of a hardware peripheral supplier, we shifted our client's focus to becoming a software peripheral. By focusing on enabling key software-driven benefits, the client's product was pulled by the 4 year software upgrade cycle, rather than the 10 year hardware cycle.

Also, rather than focusing on the interactions at the point of sale only – for example the historical paper journal of the cash register – the focus shifted to enabling interactions and information flow throughout the life of the printed receipt. Upgrades to the system that enabled clear bar code generation and reading enabled electronic to back office connections with the receipt and influenced the customer through

multiple points of interaction (order pickup, loyalty coupons for the next visit, returns desk, partner retailers).

The client implemented a range of software and receipt lifecycle focused innovations within its retail transaction product line, creating higher-value-add offerings that commanded premium pricing in the marketplace. They regained, and then overtook their previous market share position in the first two years after launch, driven by the pull-through from the faster software upgrade cycle. **By changing the client's perspective on their role in the market, we were able to avoid a price competition death spiral and achieve a sustainable competitive advantage.**

