Six Habits of Highly Innovative Retailers

As retailers look to drive profitable growth through loyalty and differentiation, innovation usually plays a prominent role. Innovation can take many different forms, such as product, customer experience, business model, service and process innovation. However, becoming innovative is not easy. Innovative retailers are those that excel at solving high-priority problems for their target customer and help meet unmet customer needs – often before the customer even knows they have the need! These retailers go beyond the obvious in order to identify unique or breakthrough opportunities. They do this in a sustainable way, meaning it’s not just about the next big thing. It’s the way of life for these retailers and their customers reward them with loyalty for their efforts.

When you think about innovative retailers, some ubiquitous names come to mind – names like Trader Joe’s, Nordstrom, Target, and Apple. There are others that may not have achieved the same prominence – at least not yet – but are reaping the benefits of making a true commitment to innovation.

So how do they do it? How do they become innovative and sustain long term results? Whether the focus is product innovation, customer experience innovation, or business model innovation, there are several common themes that exist across retailers who are doing it well and seeing results. By thinking about how to adopt these practices within your own organization, you can improve your ability to innovate.

1. Foster a Commitment to Innovation, Starting at the Top

The executive team at an innovative retailer recognizes the importance of innovation and invests in it. They see innovation as a journey instead of an event. They ensure it is woven into the fabric of the organization and make it part of the culture. They also plan for, celebrate, and reward it.

2. Align Innovation with the Business Strategy

Innovative retailers know where they want to win with customers and they “own it”. In doing so, their innovation efforts reinforce their strategic positioning. For example, if their goal is to win on in-store experience, they have a disproportionate amount of their innovation budget geared towards this (be it innovative store design, interactive displays, etc.).

3. Listen – Really Listen – to Customers

Innovative retailers don’t just listen to what customers are telling them verbally, but they also look at what customers are telling them via their actions – things they do and don’t do. They think about their customer as both a consumer and a shopper. They use innovation as a way to help the customer meet their changing needs, which means innovation is spawned by customer insight. Beyond that, they ensure the customer’s input is woven throughout the entire innovation and/or product development process. This includes giving customers a direct opportunity to shape new ideas by providing input and feedback on prototypes or early concepts.

4. Bring All the Stakeholders to the Table

Innovative retailers realize that inspiration has to come from many places. To ensure they get beyond ‘incremental innovation’, they take an inclusive approach to innovation. They involve everyone with knowledge to have a seat at the table and contribute to the process. This includes internal stakeholders (e.g. stores, marketing, merchandising, etc.) and external stakeholders (e.g. suppliers or other subject matter experts). Most importantly, they involve these stakeholders early in the process, when iterations are least expensive, so that they can take full advantage of their knowledge and perspective.

5. Test and Learn

Rapid experimentation is a way of life for innovative retailers. Their focus is on what they can learn about how to (or how not to) meet consumer and shopper needs. They work hard to quickly get something in front of their customers. They also realize it doesn’t need to be a fully functional prototype – they see the value in using experiments to test assumptions very early in the process. They practice rapid prototyping and take an iterative approach to innovation. Finally, they have a high risk tolerance and are not afraid to fail. They recognize that failure is part of the process and they ensure they learn from all failures by putting processes in place to facilitate continuous learning and institutionalization of knowledge.

6. Organize for Innovation

Innovative retailers also ensure they have the people, processes and technology needed to support and sustain their innovation objectives. In short, they put just as much emphasis on having the organizational capabilities as they do on coming up with innovations themselves. They also think about roles and responsibilities – not just within the innovation or own brand or product team, but across all key functions that play
a role in making innovation happen.

Originally published on April 1st, 2014

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