Driving Business Impact from Retail Innovation Labs

As retailers strive to reinvent their customer experience and drive loyalty, many are opening innovation labs or centers that are focused exclusively on digital efforts or product innovation. While some view labs as a ‘skunkworks’ effort, at some point in time, they will need to demonstrate value and show that the lab is impacting the business – and driving results.

Retail innovation labs have the potential to drive high-value innovations, but these may or may not be connected to business needs and priorities. Straddling the differences in priorities that exist across the organization (e.g., near term benefit vs. long term gain) is a big challenge, and it is exacerbated by the physical and organizational separation of retail innovation labs.

How do you solve this? In order to qualify and prioritize the right ideas that meet business needs as well as support the future strategic direction, a healthy business link is required.

What is a healthy business link? It’s just enough process and governance to ensure that the innovation lab’s efforts remain aligned with the overall strategy and business priorities, while still allowing for the creativity and nimbleness that’s important for innovation.

Here are five tips on where and how to add just enough process and governance to ensure that your retail innovation lab has business impact.

1. Add a little focus

Recognize that there are many different ways that innovation can add value to the customer/consumer, so you should define where you want to play and where not to play. If your lab is focused on digital innovation, align with the business on what types of customer experience opportunities you want to address with digital. If your lab is focused on product innovation, collaborate with your merchants and product teams to focus your efforts by identifying important trends and align on the platforms to focus your innovation.

2. Maintain a two-way street of communication

Put a mechanism in place to capture ideas and the changing needs of the business, while appropriately sharing promising ideas and concepts from the innovation team. Ensure that both the innovation team and the business jointly agree to decision-making criteria for ideas or concepts that should be further developed. Regular innovation decision-making meetings are a good way to make this happen. These meetings should involve representation from relevant business areas (e.g., merchandising, marketing, supply chain) and should be focused on making decisions versus just sharing information.

3. Rely on a consumer-driven business case to help sell the value

Some people see business cases as bureaucracy that slows down innovation. However, the best way to get the rest of the retail organization excited about a concept is to understand the customer/consumer needs or issues you want to address (ideally you are addressing multiple consumer needs with the same innovative solution). A consumer-driven business case can help you communicate key elements of the concept, how it impacts the customer/consumer and how it can add value to the business. Note that the “value add” may not initially be hard dollars. It could customer engagement or loyalty, or some other non-traditional, non-financial metric. So don’t get bogged down in thinking about the business case in traditional ways.

A consumer-driven business case can also help prioritize efforts and drive alignment around what development teams should work on. These types of business cases don’t have to be detailed. They can start off pretty simple and get more specific (and more financial, as appropriate) as you gain more perspective.

As an example, you should be able to answer these questions to start building your consumer-driven business case and get the rest of the organization excited about your innovation:

- Who is the targeted customer/consumer?
- What are the customer/consumer benefits? What customer/consumer problem or opportunity are we solving for?
- What are the major assumptions associated with this innovation? What might cause it to fail?
- What do we need to learn and/or build?
- Do we need external partners? If so, what’s their role?
- What other functions are critical and what role do they play (e.g., store associates in the case of a customer experience innovation)?
- How will we make money?
• How does this differentiate us? How does it compare to what already exists in the marketplace?

Then, as you move through the innovation funnel, you can add to the business case and address key business aspects including:

• What’s the ‘size of the prize’?
• How will we measure results?
• What investment is needed and what’s the likely payback period?

4. Bring key business partners along for the ride

While some people cringe at the thought of phase gate processes, they can add a lot of value by ensuring that everyone is brought along as ideas and concepts are advanced and commercialized into winning propositions for the customer/consumer. Phase gate processes can also ensure that the right ideas make it through the process. Phase gate processes that are governed by a cross-functional committee of leaders can also help to ease transition problems many companies face as concepts transition into the business.

Consumer packaged goods companies have perfected the practice of applying phase gate processes to innovation and retailers can learn a lot from them. Depending upon the maturity and culture of your organization, determine the right number and definition of gates for your situation, as well as who should be involved in gate review meetings. Structure gate meetings to be decision-making events and not purely status reviews. Give the right cross-functional business partners a seat at the table to stay aligned on how your innovations are meeting both customer and business needs. Retail is pretty dynamic and fast moving, so it’s important that key functional leaders have visibility to how things are progressing.

5. Gather and incorporate data-driven insights

As your innovation ideas and concepts progress through the funnel, continuously find ways to evaluate or test your customer value proposition – this should be started well before you have an actual product ready for formal testing or piloting. Clearly define your assumptions and execute rapid experiments to uncover data-driven insights that will help further define and develop concepts. Note that an experiment should be carefully designed to isolate and test a key assumption, accelerating the learning. Continuously apply insight and learnings to de-risk your innovation. Ultimately, you’ll be in a better position to gain business buy-in if you have data-driven insights that support your innovation.

Keep in mind that a just enough process and governance can go a long way! Following these five practical tips to ensure that you engage the appropriate stakeholders and drive business impact from your retail innovation labs.

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