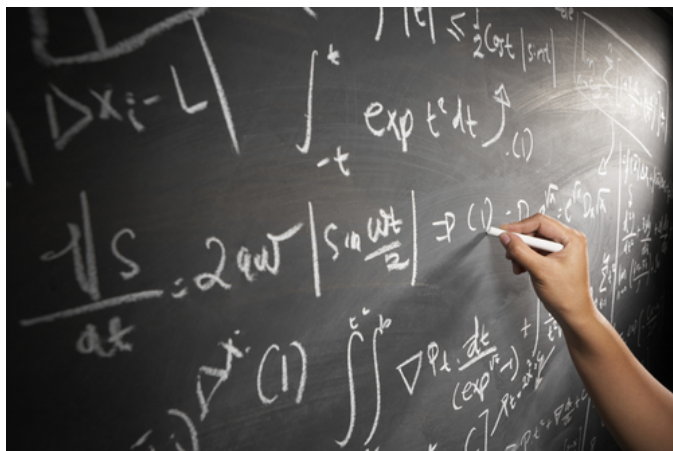


Innovation Measures #8 - Incremental Sales

by Bill Poston



To date, in our exploration of innovation metrics and measures we have looked at inputs, predictive measures, ratios, and percentages. If we want to report on things that senior executives really care about, then we need to talk in terms of absolute dollars of output. Tracking incremental revenue and net operating profit from innovation is the best way to shine a light on the benefits of new products.

Measuring incremental revenue and profit suffers from many of the same difficulties we discussed in the innovation vitality metric:

- What do you really classify as “innovation”?
- How new and novel does a launch have to be in order to count?
- Do you attempt to net out cannibalization of existing product lines?
- How long do you count something as new? One year? Three years?
- Do you start the clock at first launch or first launch in each market?

If you can get to a clear and consistent definition, and roughly accurate accounting, for this measure people will find it meaningful. Since these numbers are reported in absolute dollar terms, they are only useful when viewed as a trend line over time. There is power in this information and being able to peg new revenue and profit to investments in innovation is important to many of the other classic metrics like innovation vitality and return on investment in innovation. This is an input that also stands alone.

Ratios, percentages and predictive measures all have a place on our innovation dashboards. They tell us how the innovation engine is functioning. Reporting on absolute dollars of revenue and profit produced by innovation activities is arguably more important to senior executives.

In the end, you can't buy groceries with ratios.

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