How to Blend Market-Facing and Customer-Facing Innovation for Long-Term Results

by Tony Ceccoli and Michael Glessner

Many industrial companies manage an innovation pipeline that is filled with projects that are too heavily weighted towards customer requests. A large percentage of these are good projects if they are evaluated for profitability, resource demands and revenue potential. However, if a company wants to stay truly innovative and drive business returns over the long term, their innovation pipeline should also have projects that address unmet needs and market gaps. They have to look at market-facing innovation rather than just customer-facing innovation.

Understanding Market-Facing vs. Customer-Facing Innovation

**Market-facing innovation** is the proactive identification and satisfaction of market gaps and unmet needs in targeted markets or product categories.

**Customer-facing innovation** is more reactionary in nature, allowing customer requests and sales requests to drive the innovation pipeline with short term wins.

Each innovation type has its place and use as demonstrated in the chart below. Customer-facing innovation can drive quick results and is typically focused on the short-term. Market-facing innovation typically requires higher investment but is also more long-term focused in terms of products and markets.

A healthy innovation portfolio approach typically requires a blend of both types of projects in an appropriate balance that supports the company’s innovation strategy. Short-term, customer-driven innovations can show results that buy the time necessary for market-facing investments to payoff.
### Market-Facing Innovation vs. Customer-Facing Innovation

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Market-Facing Innovation</th>
<th>Customer-Facing Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products or Offerings</td>
<td>Mix of current products/offerings as-is, minor modifications, or new to the world products/offerings</td>
<td>Primarily seen as modifications to current products/offerings</td>
</tr>
<tr>
<td>Markets</td>
<td>Varied volume potential in existing markets, higher volume potential in new markets</td>
<td>Focuses on current markets</td>
</tr>
<tr>
<td>Customers</td>
<td>Focuses on new customers</td>
<td>Focuses on current customers</td>
</tr>
<tr>
<td>R&amp;D &amp; Resource Investment</td>
<td>Tends to be higher due to length of R&amp;D time required</td>
<td>Tends to be lower costs</td>
</tr>
<tr>
<td>Revenue Growth &amp; Market Share</td>
<td>High revenue growth and incremental market share growth</td>
<td>Smaller revenue growth share</td>
</tr>
<tr>
<td>Payback Period</td>
<td>Long-term: years</td>
<td>Short-term: months</td>
</tr>
<tr>
<td>Advantages</td>
<td>Addresses new markets, new customers, potential new business revenue</td>
<td>Quick turnaround results</td>
</tr>
<tr>
<td></td>
<td>Increases customer base diversification, potential higher profit products</td>
<td>Lower risk</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>Higher R&amp;D and resource costs</td>
<td>Lower profit products</td>
</tr>
<tr>
<td></td>
<td>Slower turnaround</td>
<td>Customer drives reactionary innovation process</td>
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Customer-facing innovation is fairly easy to facilitate. Companies simply respond to needs brought by the commercial team from the current customer base. However, market-facing innovation requires knowledge and understanding of current technology and offering needs and the gaps that are unaddressed for both existing and new customers. To accurately capture this, companies need unbiased market analysis and voice of customer research. When companies rely only on R&D and commercial teams to provide intelligence about market needs, they may miss some large new opportunities.
Ensuring a balanced innovation pipeline with both market-facing innovation and rapid customer-facing innovation projects is critical for long-term success. In order to fully understand new opportunities, industrial companies need to conduct proactive, market-facing research which may include interviews of new customers and potential new customers in completely new markets. Assign someone to focus on transformational innovation and the initiatives that support long-term value. This enables the move toward market-facing innovation and ensures that a methodology and process exist to routinely answer the following questions.

1. How many companies/competitors offer a certain product or service?
2. Has anyone stopped producing a product that was desirable? Is the replacement satisfactory in performance and price?
3. Has anyone recently gone out of business that made products for this market? What is the source for those now?
4. Are there any products that generally seem to have higher customer return rates or quality issues? Why is that?
5. What are some upcoming regulatory, legislative, or environmental changes that affect the products currently bought? What are potential alternative products that can address these changes? What new products and performance parameters need to exist to meet these changes?
6. What are the current unmet needs? What are current suppliers not providing to the market that is needed or desired?
7. If a new product could be envisioned to meet the future and current needs of the market, what would it look like? How valuable would that be, and what problem would it solve?

If your innovation pipeline is too weighted towards customer-facing innovation, consider a more balanced approach with market-facing innovation. A blended approach allows short-term, customer-driven innovations to provide quicker payback, while long-term, market-facing innovations create higher-profit products, diversify your client base and address new market opportunities.

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Tony’s areas of expertise include chemicals, polymers, and engineered products. He loves to discuss and problem solve the intricacies of product development. Tony is unlikely to be standing still between hobbies in men’s groups, fitness, and cooking along with having four boys that participate in seven different sports.

More Viewpoints by Tony Ceccoli
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