



# It's time for new inventions!

**I**t is said that chaos breeds opportunity. Given our current economic climate, there must assuredly be significant opportunities for those business owners able to capitalise on the changing conditions.

The key to leveraging this chaotic economic situation is innovation – the ability to look at the current situation, visualise the future and formulate the missing pieces. Do you have what it takes to innovate out of this economic chaos?

Innovation is defined as the recognition of a new and different way of solving a problem. Traditional business methods – particularly those in the service sectors – are no longer valid.

Many services businesses have had to adopt a low-cost pricing structure as the only means to retain dwindling customer bases. Gone are the days where qualitative reasons were sufficient to gain and retain customer loyalties.

Here is a classic example of how innovation can win new business. A small replacement aircraft parts firm generated its revenues by finding, delivering and, in some cases, installing replacement parts for various aircraft platforms.

The challenge was to effectively track their inventories through all stages of the parts cycle – from original manufacturer

**One of the best ways to succeed in these difficult times is to innovate. Brad Dawson looks at how reinventing your product or service could bring rich rewards.**

to eventual customer. Although there were several inventory management applications available in the marketplace, this firm took it upon themselves to develop a new software program that would improve the efficiency of their own internal processes.

Once the application was completed and operational, the firm's competitors swarmed to buy their system as it far outperformed anything else in the marketplace.

This firm achieved the ultimate innovative leap – its competitors became its customers. Already intimately knowledgeable about the replacement aircraft parts business, this firm was able to use that expertise to create a real solution.

In time, the firm abandoned its replacement parts customers in favour of selling and maintaining their new inventory management system. True innovation saved this firm from being an 'also ran'.

In the case of the replacement aircraft parts firm, the solution was born from an internal need that matured into a viable external product offering. For most businesses, however, innovation is

associated with an aggressive, proactive planning mentality.

Where is your business evolving? What will be the needs of your customers? Will the definition of customer change in the future?

Here's another example. A small engineering firm maintained detailed records of every pre-engineered building system installed at customers' sites.

Over time, as each building system was updated – either due to some form of system failure or evolving to meet changing building requirements – the information was logged into the record-keeping system.

In short order, this record-keeping system became a fount of unique knowledge.

This firm could now predict building system performance and, as a result, craft effective maintenance programmes to ensure that building systems would almost never fail – a true competitive advantage in the government defence arena.

For this firm, the process of recording building system information was based on an idea that 'some day' this information might be useful to

customers. In putting together this idea, I still remember the CEO using a statement made by a famous hockey player: “The goal of great hockey is not to skate to where the puck is now but where the puck will be.”

### Ask the question – why not?

Any student of philosophy knows that the answer to the question, “Why?” is, of course, “Why not?” It’s the ying and yang approach to logic that, although somewhat alien in the business world, serves as a good foundation for those seeking innovative solutions.

For too long, business owners have been trained (ie brainwashed) into believing a single form of business practice. In fact, most business practices used today still follow the same principles as firms from generations before – even when the world around them has changed completely.

A new home residential plumbing contractor was at his wit’s end. The new home markets had completely disappeared as the recession hardened its hold on the economy.

For him, he only knew one form of business – a business that relied exclusively on new home-builders for its success. The foundation, however, of his firm was rooted in his core skill – plumbing. Was there a way to transfer his core plumbing knowledge into a different marketplace and, at the same time, save his business?

One day as the plumber was driving through a neighbourhood, he noticed for the first time the number of foreclosure signs in front of abandoned homes. With winter approaching, he wondered if

## ‘You can identify product omissions in the marketplace and create a tangible product where none existed before’

banks holding the foreclosed notes had any idea of the damage that freezing temperatures could have on the abandoned water systems.

Stopping in front of several homes, he wrote down the contact information for each and started making phone calls. In less than a week, he had a whole new customer base – the banks that were holding the foreclosed homes; the same banks that were anxious to unload these properties as quickly as possible.

But the story didn’t stop there. The same plumbing contractor realised that water systems were not the only systems in the house. There were electrical, heating and air conditioning systems and, in many cases, damage had also been done to the walls and flooring.

In short order, this plumbing contractor set up teaming arrangements with the various other trade contractors and began the business of ‘re-habbing’ foreclosed homes. The banks replaced the new home-builders as his customers. He had found an effective way to leverage his core plumbing skills, tapping into what the economy was offering.

Here’s another example. A small specialised engineering firm was called into a meeting at a classified government site to solve a long-standing building system problem. It seems another engineering firm had been trying repeatedly to use commercially available solutions with no success.

The small firm tried another approach – fabricating a solution out of sheet metal and rubber pieces. After the government agency had spent over £100,000 with the first engineering firm, the second firm fixed the problem for under £1,000.

Beyond this one-time fix, the small engineering firm wondered whether their solution might have applicability in other venues and started the process of ‘shopping’ their new product to other classified government sites.

The results were astonishing. The new product was accepted with great

enthusiasm – thereby moving this engineering firm from a traditional services provider to a product-based business.

### Products beat services

The recession has taught us an important lesson: product-based businesses will outperform services-oriented firms every time.

Services, as we have found out through this recession, are viewed as discretionary ‘luxuries’ by cash-strapped consumers. Contractors, architects, consultants, writers – any profession that relies on a labour charge – has seen a significant downturn in business.

Customers no longer want the best solution, they want the cheapest. The obvious problem is that high-quality services firms are finding it difficult to meet the pricing requirements of their new customer base.

Product-based firms, on the other hand, have experienced a decrease in overall volumes but the customer base still remains – often choosing to remain with an outdated item for another year.

Is there a way to morph your services firm into a product-based concern? Perhaps you can identify omissions in the marketplace and create a tangible product where none existed before.

If nothing else, packaging your service into off-the-shelf products can make you more attractive than your competitors. An accountant offering to ‘do the books’ for a fixed price of £800 is far more attractive than one that simply charges an hourly fee.

The economy has changed the way businesses will be successful. Innovation – looking at the world and its customers in a different way – is necessary to ensure future success.

Now is the very best time to be a business owner. The economy is in chaos, bringing new and different opportunities to the forefront. Those inquisitive business owners that look at the new business world with optimism will find the next pot of gold. ❖

### Top tips

#### DO

- ✓ Always look for new, better ways of doing things.
- ✓ Look for opportunities created by the recession – like the empty houses in the article – that could provide new business.
- ✓ Investigate whether an ‘add-on’ you are providing, either internally or externally, could be a source of future revenue as a mainstream product.
- ✓ Look to see if there is a new niche market you could address by modifying your product or service.

#### REMEMBER

They say necessity is the mother of invention. If you have had to create a product to meet a need, chances are other people might need it, too.

### Infobank

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