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Capgemini Study Reveals Main Reason for New Product Failure Continues to be Lack of Customer Insight - Closer Collaboration is Key

Paris, 13 December - Capgemini today announced the results of its global study, *Collaborating for Innovation*, examining evolving trends in product and service innovation across the manufacturing industry, building on the findings of the last edition of the report from 2008.

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The study's key findings show the extent to which innovation has now become an integral part of corporate growth strategy. However, close to two-thirds of respondents stated that less than half the products launched in the past three years have been successful, despite increased support for innovation at an executive level for innovation projects. One of the main reasons cited for this is failure to meet customers' needs due to a lack of insight. With customer collaboration highlighted as the least mature area of manufacturers' collaboration efforts, it is clear that collaborative innovation has a key role to play in manufacturing success.

Following a period during which the main priority for many manufacturers has been cutting costs, attention is now turning to strategies for growth and as a result, innovation has again become a priority as a key differentiator in achieving top-line growth and maintaining competitive edge. As such, the report reveals **65 percent** of all respondents stated that they had received "good support" at an executive level for innovation projects, compared to 50 percent in 2008. Manufacturers are clearly making progress here with an emerging trend for manufacturers to establish a dedicated Chief Innovation Officer role and/or an Innovation Center at the corporate level to better align their strategic approach to innovation with growth strategies.

The measurement of innovation performance has also become a key priority. While until a few years ago product revenues, development costs and time-to-market had been the primary performance indicators, manufacturers are now applying a more diverse range of Key Performance Indicators (KPIs), for example customer perception, to measure innovation performance. However, there is more that manufacturers could be doing to integrate innovation into their organization beyond traditional methods.

According to the report, in a sector where margins are traditionally tight, innovation has to be at the heart of strategic initiatives, breaking new ground in product and service offerings, forging cross-boundary partnerships and bringing in new capabilities through mergers, acquisitions and joint ventures. As such, manufacturers are increasingly turning to collaborative business models, processes and technologies to gain competitive advantage in their innovation efforts across all parts of the value chain, including through supplier, R&D and customer collaboration. As highlighted in the report, some of the key ways in which manufacturers can, and indeed in some cases have, achieved improvements in their ability and confidence to develop and promote new services and products using external collaboration are:

New web 2.0 technologies: A total of **79 percent** of respondents said that the use of IT innovation tools assisted in collaboration with external parties. The study found that many manufacturing companies are leading the way in using these new technologies, including social networking sites and virtual worlds, such as Second Life, to drive innovation.

Targeted outsourcing: The study reveals that companies are increasingly looking externally for help, with **50 percent** of respondents leveraging external experts to fuel the innovation process.

Supplier integration: Suppliers are also helping to drive innovation. Most companies surveyed said they were effectively carrying out a range of supplier collaboration activities, including the use of information systems (**89 percent**), open-innovation environments (**80 percent**) and involvement in the innovation process (**79 percent**).

Customer satisfaction: While some progress has been made here, manufacturers could do a better job of bringing customer feedback into the innovation process. 77 percent of respondents believed that their engagement with customers was positive. However, almost half of respondents said that less than **20 percent** of new products originated from ideas generated or shaped by customers.

"The integration of new web 2.0 collaboration methodologies into the manufacturing innovation process will lead to radically different ways of introducing new product and service innovations, involving the input of multiple participants," said Udo Lange, Principal Innovation & Lifecycle Management, Capgemini. "Business innovation and collaboration should now be fully integrated parts of any corporate strategy, and it's good to see increased support for innovation at an executive level. Our Collaborating for Innovation study suggests the manufacturing industry is heading in the right direction."

About the Collaborating for Innovation Study.

The Collaborating for Innovation Study is based on responses from **189 participants**, primarily at management level, from companies based in **15 countries** from regions including North America, Central and South America, Europe, China, India, Australasia, Africa, Middle East and South East Asia. Survey participants were drawn from the following sectors: Consumer Products and Retail, Industrial Products, Telecom and Life Sciences Manufacturing and Automotive, Aerospace and Defense.

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