



CASE ITELLA

– MARKET INTELLIGENCE FOR PRODUCT INNOVATION

Itella is in a service business and its core competency lies in information and product flow management. Itella supports customers in Northern and Central Europe as well as Russia in their critical business processes in selling and marketing, delivery, and invoicing. Itella's business in 2007 totaled €1.688 billion and employed approximately 30,000 people. The parent company of the corporation, Itella Oyj, is 100 percent owned by the Finnish government.

Interviewed for this case is Tommi Tikka, who heads the Itella Innovations unit within the corporate strategy function at the services provider.

Background on Itella Innovations

Plans to open postal operations within the European Union to full competition by 2011 have been both a blessing and a challenge to Itella. Not only will the Finland-based service provider be able to expand its services beyond national borders, it will also have to face new competition.

In early 2008, the forward-looking company set up a special unit named Itella Innovations, with the unique role of driving innovation and harnessing the creativity of its 31,700 plus workforce. As the successor to what was previously known as the Research, Development and Venturing unit that mainly focused on new technologies, Itella Innovations has three broad mandates. They are to:

1. Help identify and evaluate new business opportunities up to a point where Itella business units are able to clearly decide whether they worth pursuing as viable businesses.
2. Provide managerial guidance on internal intellectual property rights processes and staff incentives that will nurture innovation at Itella.
3. Assist Itella business divisions in establishing new businesses from ideas generated through Itella Innovations.

CASE EXAMPLE

Approach

Market Intelligence for Innovation Management at Itella is used primarily to evaluate new business opportunities (the first mandate).

The unit receives ideas for new services, technologies and internal efficiency improvements from a variety of sources, ranging from customers and competitors to suppliers and staff. Some of these may be triggered by new technology announcements, changes in legislation or market developments.

Each idea is evaluated intuitively based on the collective experience of the team at Itella Innovations. Very often, two or more business divisions are also consulted on their views. Once one idea is deemed to have some potential, it is analyzed further through market studies and market evaluation. These include market intelligence (MI) into the current state of the market, how it has developed over time and how it may develop in the near future. MI studies are also used to determine potential customers, the state of the technology, how the technology will develop etc.

Tommi provided an example.

“A business unit suggested we explore Earth Class Mail, a service concept made popular in the United States. We relied on Rapid Response Research by GIA to answer some quick questions:

1. What is Earth Class Mail (ECM)?
2. What is the market situation?
3. How does the technology work?
4. Who are the market players?
5. What we can do with it?

Once we received the research report, which was delivered in just a couple of weeks, we were able to determine if we wanted to explore this idea further as a new service offering for our retail, wholesale trade, media, finance, telecommunications and public sector clients - or as a tool to raise the efficiency of our production processes instead.”

Itella Innovations also pays keen attention to the value chain for the ideas it evaluates and often consults clients directly for their views on potential new Itella offerings and their value. At times, these consultations can even extend to discussions on whether the service concept should be offered by Itella or simply adopted by Itella’s clients internally.

“We value customer input during the innovation process very highly. It is easy to make some wrong assumptions about what clients will value or not. It is important to gather a comprehensive understanding of our clients’ reactions. In fact, we have even gone to the extent of consulting customers in as many as five different business sectors on one idea!”

Once client consultations show that a service offering or new technology indeed has good potential, Itella Innovations proceeds to the next stage of exploring cost structures and estimating the profit potential of the new service.

“There is no fixed process or framework in our work, as our approach is always adapted for each case. The process is highly explorative and constantly evolving. You can say we are like a “laboratory” where experiments are constantly happening, and where we adopt the lessons learnt from the last experiment to the next idea evaluation,” Tommi added.

The source matters

Itella Innovations receives innovative ideas from four main sources, each with varying degrees of quantity and quality. These are listed below, starting with the sources that provide the highest number of ideas:

- **Company**
Not only are team members at Itella Innovation constantly generating new ideas, so are its over 30,000 employees.
- **Suppliers**
Suppliers often pitch new ideas based on their technology and service offerings.
- **Customers**
At times, customers suggest service ideas for Itella based on their needs.
- **Competitors**
Itella Innovations has commissioned market monitoring services from GIA which helps it identify new services/technologies as they arise.

“Customers are much more effective at evaluating ideas than suggesting service offerings that will be viable for Itella in the long run. Similarly, our suppliers, who do not have deep domain knowledge or insight into our business operations, offer fewer viable ideas for us. With suppliers, we often find that they come up with the most creative solutions when they are tasked with a specific request from us.”

“On the other hand, we have observed that it is our employees, who see problems daily in their work, that provide good ideas that can be executed, even if the ideas more or less involve just incremental improvements. Their ideas can impact productivity and efficiency at our company in a very real way,” elaborated Tommi.

Tips on using MI for Product Innovation and Process Management

Finally, Tommi provided a very useful list of suggestions on how best to use Market Intelligence for Product Innovation:

1. Give your research partner a thorough brief, concerning what is expected and what you plan to do with the findings. As an example, a different understanding of just the term “innovation” can lead to very different results in say, a benchmarking study to evaluate your company’s level of innovation verses your competitors.
2. Always make sure you ask for a definition of the key driving forces for any market you are evaluating.
3. There is no fixed method for innovation process development. You are learning all the time. Having a good research partner helps, because they can help you accelerate your learning process and innovation process evolution.
4. Don’t trust your own capabilities too much in evaluating new ideas. Expose the ideas to the evaluations of your customers early, even if the idea is nothing more than just a phrase.
5. Be more explicit about which stage you will get contributions from your customers.
6. Consider new social media and digital tools to get customer feedback.
7. Don’t use just one model for innovation management.
8. Don’t rely on either a formal or an informal innovation process; an amalgamation of both formal and informal processes is best. The best mix is based on your organization.

“At the end of the day, the most challenging part of the innovation is finding the ‘killer idea’ in the middle of the hundreds of ideas you receive. What are the three or four ideas you will shortlist for further evaluation? We are taking our innovation management one step further and are exploring if we can invite our customers to participate in the idea shortlist process as well,” concluded Tommi.