

The Innovation Game: Why and How Businesses are Investing in Innovation Centers

Innovation has never been more important ... or so difficult

Innovation is more critical than ever...



65% of senior executives face **increased pressure to innovate**



52% of Fortune 500 companies have **merged, been acquired or gone bankrupt** since 2000

...However, the traditional innovation approaches are broken



R&D investments increasing, but R&D returns decreasing



In certain sectors, more than **85% of new products fail**



Only **5% of R&D staff** feel highly motivated to innovate

In response, companies are beginning to set up Innovation Centers

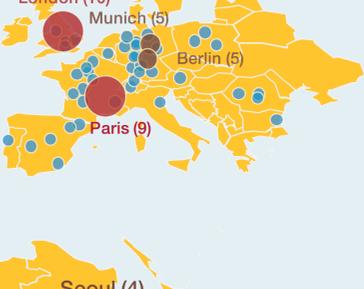


38% of the **largest 200 companies** by revenue, across sectors, have **set up Innovation Centers**

Innovation Centers Map

North America

Europe



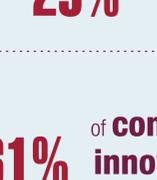
Asia



Top Ten Locations

- Silicon Valley
- London
- Paris
- Singapore
- Tokyo
- Shanghai
- Berlin
- Munich
- Tel Aviv
- Chicago

Breakdown of innovation centers by region



29%



25%



29%

61% of **companies** with **innovation centers** have a **presence** in the **Silicon Valley**

...But other hubs are also emerging—the **top 10 locations** represent **only**

35% of all **innovation centers**

But the penetration of centers varies dramatically across sectors

Sector-wise penetration of Innovation Centers

% of companies



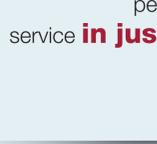
The main focus is a mix of Technology and Customer aspects

Main focus of Innovation Centers

% of companies



Innovation Centers help companies accelerate innovation...



Zappos lab enabled Zappos to launch its "Ask Zappos" digital personal assistance service **in just 12 weeks**



Staples' innovation lab helped launch digital wallets **in 9 weeks—Staples' fastest deployment ever**



Walmart's search engine was developed at Walmart Labs **in 9 months with just a handful of employees**—the tool drove a 20% increase in online sales conversions



AT&T's Foundry innovation centers have **significantly cut the time from idea to launch**—collaboration with startups has delivered successful solutions such as a personalized video bill service and a self optimizing network



... But success is difficult, and hinges upon multiple factors

"As many as 80-90% of Innovation Centers fail"

- Seasoned innovation expert



Define the right focus—not too futuristic, not too current



Ensure strong CEO support for the innovation centers



Set up a governance model with stakeholders from across the business



Create a diverse cross-functional team



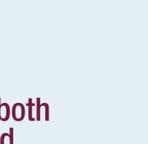
Prove value and extend innovation across the enterprise



Ensure that business units are closely involved



Engage with diverse partners in the innovation ecosystem



Quickly sunset infeasible programs, but at the right time



Hire employees that thrive in both structured and unstructured environments