

THE DIFFERENT TYPES OF INNOVATION

Innovations are a change in the process by which inputs of lower value are transformed into outputs of higher value. Although all types of innovations are important in maintaining a healthy economy and society, each type plays a unique role and has a different impact on people, organizations, and economies.



SUSTAINING

Incremental or breakthrough improvements to a product or service that maintain the current trajectory of competition. They are improvements to existing solutions on the market and are typically targeted at customers who want better performance from a product or service. This is why they are often sold for more money and at a higher margin.



Every new version of Apple's iPhone



DISRUPTIVE

Innovations that produce simpler, more affordable products or services that meet the needs of low-end consumers or those who previously had no opportunity to access the market at all.



Netflix to Blockbuster



LOW-END:

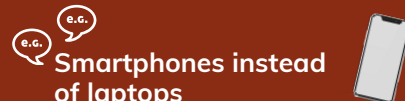
A low-cost business model enters at the bottom of an existing market and claims a segment. Because there's no profitability incentive to fight for the bottom of the market, a low-end disruption causes incumbent companies to focus their efforts on more profitable areas.



CVS' MinuteClinic

NEW-MARKET:

Creates a new segment in an existing market with a low-cost version of a product. It focuses on an audience that doesn't yet exist in the market. Offering a more cost-effective, simple, or accessible product effectively creates a new segment.



Smartphones instead of laptops

MARKET-CREATING:

Systems innovations key in enabling sustainable development. They don't only create profit, but also jobs, infrastructure, and a cultural change through democratizing the benefits of the successful new market. Establishes a solid foundation for future growth.

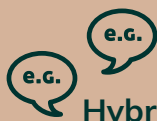


Nigeria's Indomie instant noodles by Tolaram



HYBRID

Combination of a disruptive technology with the traditional, old technology, using the disruptive technology to maintain the current trajectory of competition.



Hybrid cars; blended learning schools that combine brick-and-mortar buildings with online learning.



EFFICIENCY

A change in process that allows a product or service to be made or developed in a way that allows the company to become more profitable and free up cash flow. Business models and targeted customers remain the same.



Toyota's just-in-time production system



Learn more: www.christenseninstitute.org/disruptive-innovation