



(R) TECH

center for innovation

**RILA's Retail Innovation
Management Model**

About the Model

Traditional retailers are increasingly investing in innovation programs. RILA has identified two types of programs, addressing (1) incremental innovation, which primarily targets improvements in operational performance, and (2) transformative innovation, to identify and roll-out business model innovations.

This Model identifies 30 possible dimensions for a retail innovation program. It begins with the strategic foundation and corporate commitment, then the specific innovation mechanisms and processes, and concludes with the innovation outcomes. However, not every company will want to employ each dimension. It can be used to assess your company's innovation strategy and to benchmark against others.

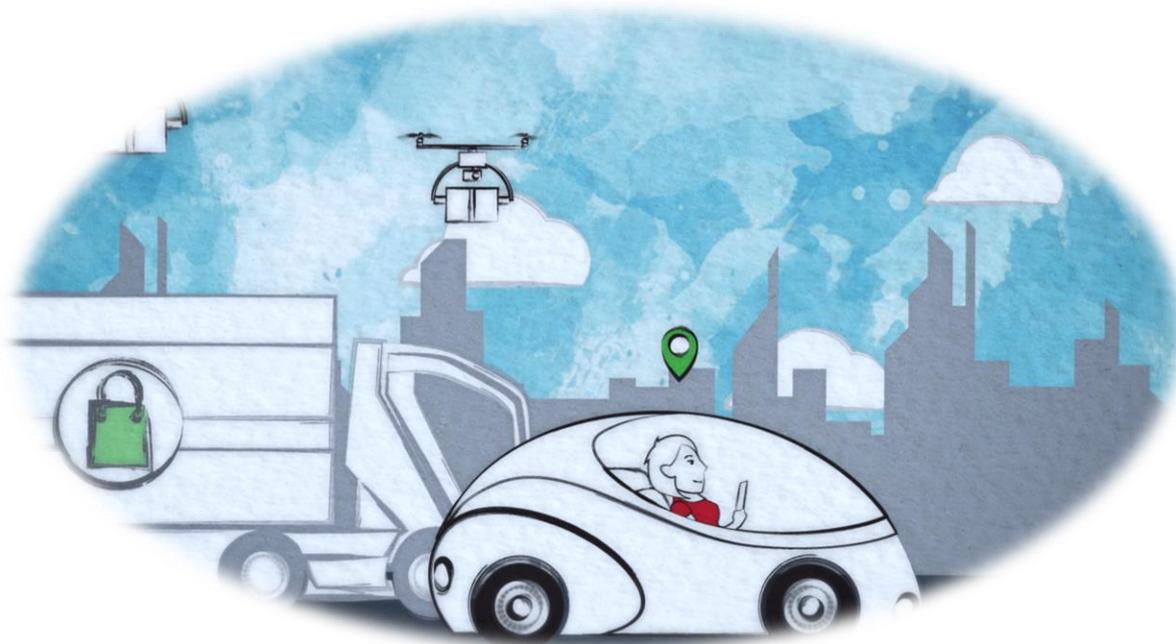


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About the (R)Tech Center for Innovation

The [\(R\)Tech Center for Innovation](#)'s mission is to help retailers navigate the industry transformation, and to spur the adoption of the “(R)Tech” term within the retail innovation ecosystem.

The Center periodically releases reports covering various topics that the (R)Tech Center's Advisory Council has identified as areas of interest. This report focuses on what we call an *(R)Tech Culture*.

Sources

- Interviews from RILA members and retail & consumer brand innovation thought-leaders
- Podcasts ([a16z](#), [Killer Innovations](#), and [Innovation Hub](#))
- Innovation frameworks ([A Heuristic Framework for Corporate Innovation](#), [Framework for Organization Corporate Innovation](#), [The 7 Immutable Laws of Innovation](#), [The Innovation Value Chain](#), [A Chief Innovation Officer's Actual Responsibilities](#), [Why Sustainability is Now the Key Driver of Innovation](#), [Meeting the Challenge of Disruptive Change](#), [Before You Innovate, Ask the Right Questions](#), [Google's Re:Work](#))
- Corporate innovation course notes ([Managing Innovation and Entrepreneurship](#), [Managing the Innovation Process](#))

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Strategy & Commitment

	Incremental Innovation	Transformative Innovation
1. Innovation strategy	<ul style="list-style-type: none"> • Defined innovation strategies focused on improving supply chain, omni-channel, product mix, store design, asset protection, and/or marketing performance (i.e., close-to-core opportunities) • Specific strategy in place to determine whether new capabilities require investing, acquiring, incubating, inventing, or partnering • Leverages adjacencies as the first step to new growth platforms • Innovation time horizon of five years or less 	<ul style="list-style-type: none"> • Portfolio innovation approach, with intentional mix of nearer-term efficiency investments and longer-term, “game-changing” investments • Orientation towards innovations in full-system optimization (e.g., customer experience, services, and business models; seeking new market spaces and paving the business’s future direction) • Focus on promoting consumers health, wellbeing, joy, and trust; and corporate’s transparency and sustainability • Innovation time horizon of five years or longer
2. Opportunity Identification	<ul style="list-style-type: none"> • Inventories existing innovations within and outside of company • Defined processes to identify the greatest opportunities for efficiency improvements • Benchmarks against other retailers 	<ul style="list-style-type: none"> • Systematic process to identify specific business problems to address or new opportunities based on many factors (e.g., market research; future business direction; needs of shareholders, customers, regulators, activists; minimization of resource use) • Benchmarks against other sectors (e.g., tech, restaurants, hospitality, entertainment) and geographic regions (e.g., EU, Asia)
3. Innovation goals	<ul style="list-style-type: none"> • Sets goals for efficiency/productivity improvements in traditional business functions (e.g., supply chain, sourcing, merchandising, operations) 	<ul style="list-style-type: none"> • BHAGs (big, hairy, audacious goals) to energize employees to innovate and think big • Goals touch all parts of the company and focus on the future business direction
4. Governance & executive engagement	<ul style="list-style-type: none"> • Periodic involvement of CEO • Involvement of senior team on regular basis • Clear and defined senior-level decision-making roles and accountabilities for innovation programs • Regular innovation reviews with line leaders 	<ul style="list-style-type: none"> • Consistent involvement from the CEO and senior team • Coordinated senior-level, inter-departmental innovation steering committee that regularly reviews innovation initiatives and company’s innovation plans • Periodic updates to the Board
5. Innovation team	<ul style="list-style-type: none"> • Chief Innovation Officer reporting directly to CEO 	<ul style="list-style-type: none"> • Innovation teams sized to address the company’s innovation needs; • Organized to act on a suite of innovation mechanisms • Entrepreneur(s)-in-residence
6. Funding mechanisms	<ul style="list-style-type: none"> • Project-by-project funding based on projected ROI 	<ul style="list-style-type: none"> • Consistent funding to ensure longer-term planning and to signal the importance of the company’s innovation platforms
7. Investor relations	<ul style="list-style-type: none"> • No specific investor communications about innovation programs 	<ul style="list-style-type: none"> • Periodic investor updates on company’s innovation roadmap, and the need for innovation

Culture of Innovation

	Incremental Innovation	Transformative Innovation
8. Incentives for innovation	<ul style="list-style-type: none"> • Compensation systems for senior- and mid-level employees that recognizes, celebrates, and rewards innovative employees and ideas 	<ul style="list-style-type: none"> • Compensation systems that recognizes and rewards failures to highlight that it is okay to fail, so long as the company learns from it • Financial or equity compensation for employees that introduce or lead new, disruptive innovation projects
9. Department-level innovation & HR mechanisms	<ul style="list-style-type: none"> • Voluntary internal innovations working committee • Staff in critical departments have accountability for managing department-level innovations 	<ul style="list-style-type: none"> • Systematically uses mechanisms to bring together cross-functional teams to overcome silos • Working with senior teams and HR to re-organize company to support future business growth • Exposes senior leaders from across the enterprise to start-ups and new business models • Company's innovation platform is used to attract employees
10. Place: the physical office building and office layout	<ul style="list-style-type: none"> • The physical office spaces are organized to maximize departmental efficiency; e.g., relevant departments are physically located near one another 	<ul style="list-style-type: none"> • The physical office spaces are organized to fuel creativity, connection, energy generation, and "planned serendipity" • The office's location is in a place (city or neighborhood) that fuels further innovation and creativity

Specific Innovation Mechanisms

	Incremental Innovation	Transformative Innovation
11. Defined innovation methods, processes, and events	<ul style="list-style-type: none"> • Internal processes to periodically gather competitive intelligence, and generate ideas • Organizes efforts outside the office to understand consumers' evolving needs 	<ul style="list-style-type: none"> • Internal processes to periodically assess a broad innovation and creative landscape, well beyond the traditional retail industry • Organizes sensory experiences (e.g. art galleries, theater shows, etc.) for executives to witness those experiences and spark creativity
12. Horizon scanning processes	<ul style="list-style-type: none"> • Mainly models innovation initiatives after competitor successes • Periodically reviews and assesses consumer and industry trends, and how other companies are leveraging technology 	<ul style="list-style-type: none"> • Systematic processes in place to monitor new technologies through conferences, tech shows, and other sectors or geographic regions; and university, VC, and incubator partnerships
13. Internal idea solicitation	<ul style="list-style-type: none"> • Ad hoc processes to solicit ideas from employees across the organization, filter and prioritize those ideas, and then act on them • Internship programs to help foster and incorporate fresh ideas 	<ul style="list-style-type: none"> • Defined and well-communicated processes to solicit employee ideas and ultimately put resources behind acting on the most valuable ones
14. External idea solicitation (partnerships & collaborative involvement, open-innovation)	<ul style="list-style-type: none"> • Partners on one-off and opportunistic basis with startups, universities, or companies that have relevant offerings • Participates in pre-competitive industry collaborations where appropriate • Regularly attends relevant innovation events (e.g., CES, Shoptalk) • Hosts problem-solving innovation events like "hackathons" or ideation sessions with employees 	<ul style="list-style-type: none"> • Plan in place that distinguishes between the role of in-house innovations versus partnerships • Partners with university labs, VCs, and incubators to maintain pulse on cutting-edge trends • Hosts innovation dinners or other events to gather thought/ action leaders and visionaries • Strategically hosts "hackathons," ideation/open-innovation sessions, "X-Prizes," or other creative events to source next-generation business ideas
15. Innovation Lab	<ul style="list-style-type: none"> • No innovation lab in place • Runs prototype store specifically to test new systems 	<ul style="list-style-type: none"> • Highly invested & fully staffed innovation lab(s) located in U.S. or global innovation hubs • Systems to connect innovation labs with the rest of the business so that the lab's output can be integrated into the business
16. Startup relationships & acquisitions	<ul style="list-style-type: none"> • Startups sought primarily for new products and operational process improvements • Participation with accelerators or incubators to identify relevant startups 	<ul style="list-style-type: none"> • Startups seen as a way to source innovative new experiences, services, and business models • Mechanisms to identify and integrate startups into business
17. Future thinking	<ul style="list-style-type: none"> • Employs future thinking tools in ad hoc ways 	<ul style="list-style-type: none"> • Employs future thinking tools like visioning, scenario planning, etc. to guide innovation plans and processes, and to identify future-proofing strategies

Innovation Integration Processes

	Incremental Innovation	Transformative Innovation
18. Metrics & measurement	<ul style="list-style-type: none"> Utilizes existing retail metrics (e.g., same-store-sales, foot-traffic, sales per sq-ft, clicks) 	<ul style="list-style-type: none"> Defines new metrics that align with the future direction of the business (e.g., metrics relating to services, experiences, consumer engagement) Incorporates both “soft” as well as “hard” metrics into innovation planning processes
19. Reporting & communicating	<ul style="list-style-type: none"> Communicates mainly internally, to stress the importance of innovation to the company employees and solicits innovative ideas from employees 	<ul style="list-style-type: none"> Communicates both internally and externally (to relevant stakeholders) about the company’s innovation objectives and processes
20. Experimenting & iterating	<ul style="list-style-type: none"> Design, build, test, learn cycles – not only applied to technology adaptation, but also to market learning (e.g. daily builds, alpha & beta testing) Leveraging design thinking processes that include rapid prototyping 	<ul style="list-style-type: none"> Specific processes and resources in place to rapidly test new technologies and business processes/systems Defined metrics to test/measure the success of innovation projects
21. Change management / scaling innovation	<ul style="list-style-type: none"> Integrates new technologies and processes into the business in ad hoc ways 	<ul style="list-style-type: none"> Change management processes in place to smoothly integrate new ideas or startups into the relevant business functions Executive team possesses the capabilities and processes to rapidly adapt and make changes
22. Physical retail store layout	<ul style="list-style-type: none"> Prototyping process in place to test new store formats, including urban, store-within-a-store, etc. 	<ul style="list-style-type: none"> The store layout is flexible and modular to rapidly test new formats and reconfigure the space based on changes to product mix
23. External communication	<ul style="list-style-type: none"> Ongoing consumer-facing communications to keep them engaged and to catalogue feedback 	<ul style="list-style-type: none"> Connects with consumers and generates buzz about innovation program or new products/operations Hosts events related to product launches or new service roll-out

Risk Management

	Incremental Innovation	Transformative Innovation
24. Risk & ethics management	<ul style="list-style-type: none"> • Maintains firm understanding of relevant regulations • Identifies potential risks on a project-by-project basis • Implements ever-evolving cybersecurity processes & systems 	<ul style="list-style-type: none"> • Has defined risk/ethical innovation protocols or policies in place • Actively engaged in shaping relevant new legislation
25. "Black swan" event preparedness	<ul style="list-style-type: none"> • Balancing risks and rewards with diversified portfolio of core and new growth initiatives / leverages core competencies 	<ul style="list-style-type: none"> • Emergency preparedness plans in place for extreme events

Innovation Outcomes

	Incremental Innovation	Transformative Innovation
26. Corporate culture	<ul style="list-style-type: none"> • Incremental improvements (e.g., supply chain, omnichannel, product mix, store design, asset protection, marketing performance) driven mainly by innovation teams • Resource reductions achieved (e.g., material and fuel usage, energy consumption) • Reducing operational costs 	<ul style="list-style-type: none"> • Department-level improvements driven by functional teams, who are continually seeking performance improvement and cross-functional alignment, with support from innovation teams
27. IT capabilities	<ul style="list-style-type: none"> • Internally, integrated cloud-based systems across the enterprise to enable 360-degree view of customers, vendors, stores, and products; and executive dashboards for easy visualization of key metrics 	<ul style="list-style-type: none"> • Customer-facing, a competitive platform for e-commerce, mobile, and digital
28. Consumer-facing innovation	<ul style="list-style-type: none"> • Awareness of the new, multi-dimensional, and non-demographical consumers • Seamless customer shopping experience across all channels • Customers are able to interact with the company through apps & experiences that have game-like features 	<ul style="list-style-type: none"> • Strong understanding of the company's consumer of today and its future consumer; capabilities in place to design products & experiences to reach those demographics • Strong and growing focus on experiential shopping and services • Focus on promoting consumers health, wellbeing, joy, and trust; and corporate transparency and sustainability
29. Store associate innovation	<ul style="list-style-type: none"> • Seamless access for customer-facing employees to product information via smartphones or tablets 	<ul style="list-style-type: none"> • Associates trained in real-time using mobile and other devices, who are service-oriented and knowledgeable
30. Business model innovation	<ul style="list-style-type: none"> • Opening the business to opportunities in new channels or sectors 	<ul style="list-style-type: none"> • Actively identifying new market spaces and experimenting with new business models (e.g., pop-up, renting, subscription) • Creating new-to-the-world offerings that are disruptive to the market; platform, rather than just product, innovations • Re-framing existing categories to fundamentally change the nature of product/sector categories