



Business Reimagined: Innovating Products and Services

How Midsize Companies Can Become the Disruptors of Tomorrow

During the pandemic, many businesses lost revenue and had to make rapid changes to operating practices, customer interaction models, and, in some cases, their product and service delivery approach. These changes were often reactive in nature and focused on “patching” issues in the customer journey. Building and sustaining both true innovation and transformation to become a market disruptor demands a more deliberate approach.

29%

of midsize businesses are prioritizing launching new products and services.

25%

of those “rebuilding” post-Covid are **emphasizing business model transformation**.

17%

are dedicating resources to “**rethinking products and services**.”

Source: IDC Worldwide Small and Medium Business Survey, October 2020

Why It Matters

Innovating products and services to meet new markets and customer demands is not a “one and done” activity. Reactive changes made to keep up with competitors can confuse customers and employees alike, resulting in lower satisfaction and damage to the business’ brand. Designing new products based on customer and market data as part of an iterative process can avoid many of these issues.

That said, innovating products too slowly comes with its own risks. In the case of highly commoditized products or services, customers expect a fast response to change—if not, the business will look out of touch with the market. Disruptive competitors with their own product or service innovation road map will be able to gain ground and leave the business one step behind. In addition, it's not just about innovation by product teams, but also within manufacturing and distribution; the entire supply chain must innovate and scale.

Finally, businesses often opt to enhance an existing product or service rather than building business models that generate recurring revenue and increase customer stickiness. Companies should thoroughly examine the benefits of enhancement to ensure it is the best strategy. While product enhancement might cause a momentary bump in customer satisfaction, midsize businesses that create new offerings based on customer and market data will likely be better insulated from disruptive and innovative competitors.



of midsize businesses are prioritizing business model transformation, suggesting most will continue to behave reactively to industry disruption.

Recommendations

To truly innovate products and services proactively, midsize businesses require two critical ingredients.

First, they need data integrated and collated from various departments and functions that is cross-referenced with competitive intelligence. Customer satisfaction, marketing, sales, service, operations, and finance data are all key to understanding the gains of investing in product innovation and the timeline to do so. Businesses that closely monitor KPIs that weigh product demand, satisfaction, and service concerns against financial performance respond faster and better to disruption. Interconnected systems that bring all this data together with intelligent analytical capabilities are crucial to having this advantage.

Building a culture of innovation within teams is the second ingredient. Growing businesses should encourage and reward employees who adopt a continuous improvement mindset and who bring product ideas, insights, and improvements to leadership. Pairing an innovation culture with insights from customer feedback can help a company bring new business models and offerings to market that attract new customers while also keeping brand loyalists. Business management technology is key here, not only as a collaborative and central data repository but also to streamline the complexity of accommodating multiple offerings and business models. Such systems make it easier for midsize businesses to become more innovative and stay relevant to customers.

Message from the Sponsor

Listen to a follow-up conversation on this topic with IDC Analyst, Shari Lava, and SAP Global Innovation Evangelist, Timo Elliott.

[Watch the video](#)

SAP has a track record of helping more than 250,000 midsize companies adapt, accelerate, and innovate. To see how you can benefit, please contact your SAP partner.

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