

# Tax Alert

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## Commercialising innovation to go international

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WITH the rapidly changing economic climate, it is now critical for businesses to deliberately and strategically create value through innovation. It is no longer possible to simply add value by reconfiguring or remarketing existing services or offerings.

Today's consumers have more options and are increasingly discerning. They care more about product and service differentiation than their predecessors, and hence demand more customisation and specialisation from their suppliers.

One clear example is the success story of Singaporean luxury brand, KWANPEN, which specialises in sustainable, handcrafted leather handbags and accessories. KWANPEN has been around since 1938 but it was not until 1996 when the brand went international. They were able to internationalise not by creating new products - they have been selling handbags for years - but by understanding the new market landscape and responding to increasing customer demand for super-specialised brands, as well as by aligning its brand value to sustainability, ethical practices and conservation.

And that is the objective for innovative companies: to truly create new value streams that grow the bottom line. It means bringing new ideas to consumers, expanding offerings into new markets, or developing entirely new ways of doing business that resonate with customers' needs. It does not, however, mean creating for the sake of creating. Innovation means nothing to business without a clear methodology for achieving return on investment.

Commercialising of innovation is key for not only gaining revenue from ideas, but for sustaining the ideation process within an organisation. Brainstorming ideas is the first step, but real success comes from moving the idea along to form an impact on the bottom line. KWANPEN's continued success, despite the general weakness in an overcrowded luxury goods market is an example of this.

Being able to move an idea to commercialisation requires commitment across the organisation, not just at the management or leadership levels. While organisational buy-in is always important to drive effective corporate strategy, it is particularly important for innovation, which functions best with input from diverse sources. This can mean identifying and tapping into new and existing markets by aggregating and leveraging information and resources that are both external and internal to the business.

The information sources that inspire innovation are many, but an effective way to pursue innovation is to work from the outside in. External market research and industry trend data can help provide context and insights on customer behaviours, changes in existing markets, or potential new market expansions. But international market launches are not the only way to capitalise on external information sources. External partners can provide value as objective third parties, with a perspective free of bias or preference. They can also help share the challenges of innovation by serving as a source of collaborative support as ideas begin to take shape.



These external sources all carry immense value, but equally as important is information and resources already contained within your business. Mining the knowledge of customer-facing employees for information on behaviour changes, purchase preferences and trends can be just as important to innovation as general information on the trends within the economies and markets being served.

These types of human capital and internal synergies have been shown to be incredibly important in building effective innovations within companies. A landmark 2010 study by researchers at MIT's Sloan School of Business showed immense value in developing human capital in tandem with existing competencies in order to pursue deliberate, internally-led innovation. Acknowledging the need for cultivating a culture of innovation is a key part of weathering economic downturns.

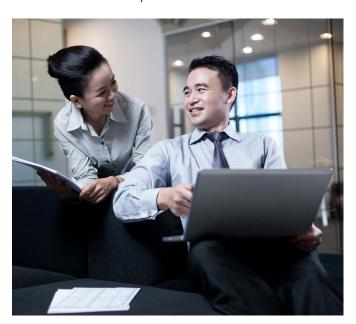
It is important to ensure that innovation is not sought in silos, but ingrained into companies' culture. This requires a concerted effort to nurture workplace culture that supports innovation.

For instance, organisations that successfully eradicate fear of failure and instead bring about acceptance of failure as a part of life, business and innovation, provide a more conducive environment for innovation to blossom. Employees must also be given sufficient autonomy to initiate and drive projects that they believe in.

Companies that effectively involve their entire organisations in innovation and which coordinate their innovation with a strategic, globally-driven approach to marketing can realise real revenue growth and value creation.

#### How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.



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