

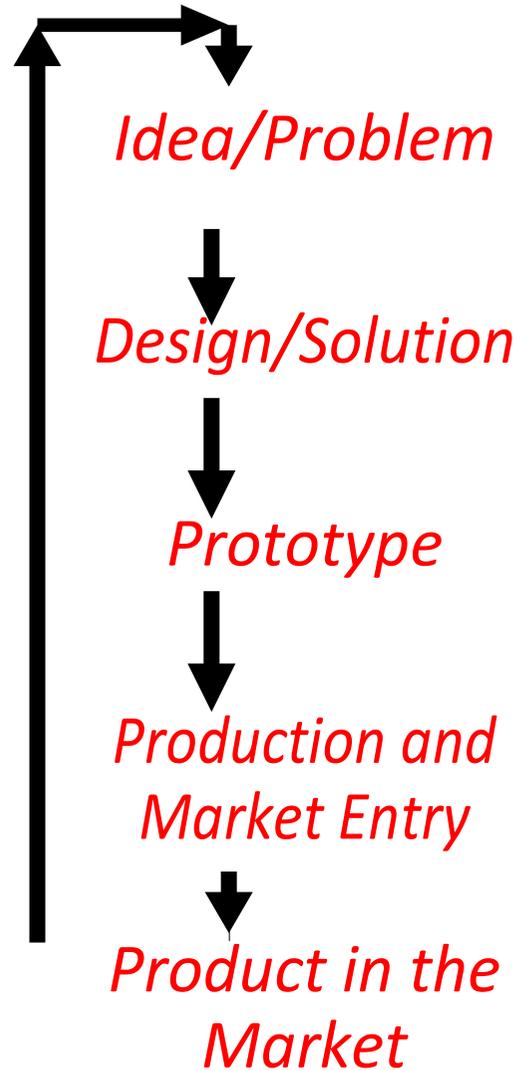
# IP & INNOVATION

## Innovation Game



Prepared by  
Arife YILMAZ TOPAL  
arife@innocentric.com.tr  
© innoCentric

## Innovation Process



## Background Information

You are the General Manager of AYT Packaging, which produces packaging for the food industry with paper, cardboard and synthetic materials. Your products are usually ready-to-use packages, i.e. boxes, packaging for bottled dairy products, etc. used for transport. Besides, you also supply semi-products for packaging machines; eg printed coating foil, foil for sealed and degassed packages.

Currently, in your product segment there are a total of 20 companies are active. You see 4 of them as your direct competitors. These companies offer products for the same type of customers as you and their market share is as much as your market share. (Between 6-8%) 5 companies technically have the same opportunities as you in order to produce the packaging product. No company has taken the lead with a patent or a production technique or a new packaging concept.

## Trends and Developments

There are some important developments that affect you as a food industry supplier. For example;

- Product diversity: changes in family patterns and the change in consumer preferences, the increase in the young population lead to significant product diversification in packaging products.
- Food industrialists, taking into account the changing consumer preferences; they have increased their demands for quality, safety and healthy packaging.
- Environmental pollution has become a significant threat, new taxes have emerged regarding the garbage caused by packaging. As a result of EU directives, recycling and re-use of packaging materials has become a necessity.
- Packaging is mostly integrated into the production process, especially for products that need to be used fresh. In other words, the manufacturer has started to prefer the way of packaging the product itself towards the end of the production line.
- All manufacturers and food industrialists follow a cost reduction strategy.

As a result, 2 different trends are developing in the packaging industry: “*reducing the costs*” and “*raising standards*”. The strategy of “*reducing the costs*” requires adjusting the share of packaging costs in the total cost of the product so it does not exceed 16%. The key elements of this strategy are less material and energy use, less space and weight, therefore ease of transportation and less harm to the environment. These recent trends brings new challenges to the market; not only for you but also for all companies.

Strategically; you place more hope in “*raising standards*” trend. In this regard, packaging becomes one of the important aspects of the whole product; and a way to attract more customer attention than other process in the production. Lately many companies are developing special projects to enhance packaging concepts, including each steps of the production, introducing many concepts such as use of recycled materials as raw materials.

You think that your company can achieve significant success with such a strategy. For example, you can come up with a new packaging design by working with your customers. This design can be more functional and suitable for the use, rather than your previous products. Another option can be to add on-off (or open – close functions) and related functions etc.

## Innovation Policy

Management of the Company agreed on your strategy for “*raising the standards*” and decided to implement it. Now it's time to put your vision into practice. As the General Manager, this job is your responsibility.

## Assignment

This study is not about WHICH ideas your company needs to develop in order to survive for a long time. What matters is HOW you develop useful business ideas using your patent knowledge.

In each round, you will be asked a question and you will be expected to give an answer among the options given to you. All options are implementable, however some options can help you to go a step ahead in the competition world. If you make a skillful choice, you will see that the innovation process will run more effectively, faster and at less cost. If you make the wrong decision, your competitiveness will be challenged because not only you but your competitors are busy innovating.

## Scenarios

### Scenario 1: Product in the Market

You have just introduced a new packaging on the important bi-yearly international packaging fair. Buyers are impressed, you receive a lot of orders while there is much less attention for the competitors' products. During this fair, you get a visit from a process-server who summons you to stop your activities as you are infringing a patent of an American company. This American company is unknown to you.

### Scenario 2: Business Idea

Your innovation team has found a few patent publications in a patent database, in the area in which your company would like to develop new activities. As far as it is known, none of these patent publications have led to a commercial activity. There is in the market no packaging concept which is based on one of these patents.

### Scenario 3: Concept Development

Your innovation team, has among others, studied the prior art obtained via prior art search report prepared by the Turkish Patent and Trademark Office. It appears that in 2001,

a patent has been granted for a packaging concept, which is comparable to your new concept.

Technically it was not possible at that time to make the product or to offer it in the market for an interesting price. Looking at the position of the technology now, the Project team sees possibilities.

### Scenario 4: Prototype

A prototype has been developed by the product development section. The Sales section is very enthusiastic and expects with this product, a competitive advantage can be obtained.

In the near future, the yearly exhibition will be held. Sales wants to take its chance and Show the new product.

### Scenario 5: Production and Market Entry

Within 6 months, you will bring a new packaging on the market for the whole Europe. It is quite an adventure even though you have prepared well.

For all European countries, a patent has been filed which most likely will be granted within one year.

You already operate in these markets with the exception of Portugal, Spain, Italy, Denmark and Greece.

For the markets which you don't know, you will operate with a local sales organisation. A legal officer is already busy with the preparation of a sales agreement, the initial discussions with the have taken place and they went very well. The price from factory gives a 150% gross profit; the sales organisation are accepting a small margin.

Your own production capacity is more than sufficient; waiting now for the production to start.

Everything is going well. So you go on a vacation in Spain. To your surprise, during your vacation, you experience the introduction of a packaging which shows a great similarity with your packaging and infringes on your filed patent.

