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Low labour and input costs attract investments

“Innovation distinguishes between a leader and a follower” - Steve JobsNutraceutical industry is moving forward with the advent of new scientific technologies and innovations. Innovation, along with product quality, is fundamental to long term growth and

By **Guest** | April 7, 2015



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“Innovation distinguishes between a leader and a follower” - Steve Jobs

Nutraceutical industry is moving forward with the advent of new scientific technologies and innovations. Innovation, along with product quality, is fundamental to long term growth and success of any business. Certain products are marketed unchanged for years, this way certain organisations have been able to survive with very limited innovation. In such cases, the focus is on providing quality products and simply updating the products to a level that sustains their competitiveness in the market. This process applies to certain products with long lifecycles and few opportunities for innovation. But if any organisation wants to achieve significant growth in the business, innovation is essential to expand the product portfolio. So far in nutraceuticals innovations have been mainly in the areas of delivery formats, bioavailability, shelf–life extension, enhancement of flavour etc.

Need/Importance of innovation

Innovation is important as it is one of the key ways to differentiate a product from its competition. The business would stand out with innovative products and ideas for marketing if competing on price becomes difficult.

Innovation in the business can also be driven by the extent of innovation from its competitors. Being the first to market a new product can prove to be a significant advantage in terms of building a customer base. It is difficult to compete if the products are seen as out-dated. However, when investing in innovation we need to keep in mind that many businesses survive by copying and adapting the innovations of others and benefit from others hard work.

Looking at this from a wider angle, innovation is important for the advancement of society around the world. New and innovative products can increase standard of living and provide people with opportunities to improve their lives. Innovations in the areas of medicine and technology have significantly improved the standard of living around the world. Innovation has also lead to significant improvements in the way businesses operate and has closed the gaps

between different markets.

Trends/driving forces

Some forces driving innovation are:

External forces

Outsourcing & Globalisation:

There is an increased impetus to improve efficiency and effectiveness of the organisation. Organisations need more than good products to survive and grow; they require innovative processes and management that can drive down costs and improve productivity.

Consumers: Consumer expectations drive innovation in the market. Consumers are used to products that continually improve and make their life easier. Today's consumers are more aware and informed and have more options in terms of what they buy and who they buy it from.

Competitors: Competitors innovation is an essential driving factor for innovation. In any business there is a need to be the first to launch a new concept, product, process etc.

Internal forces

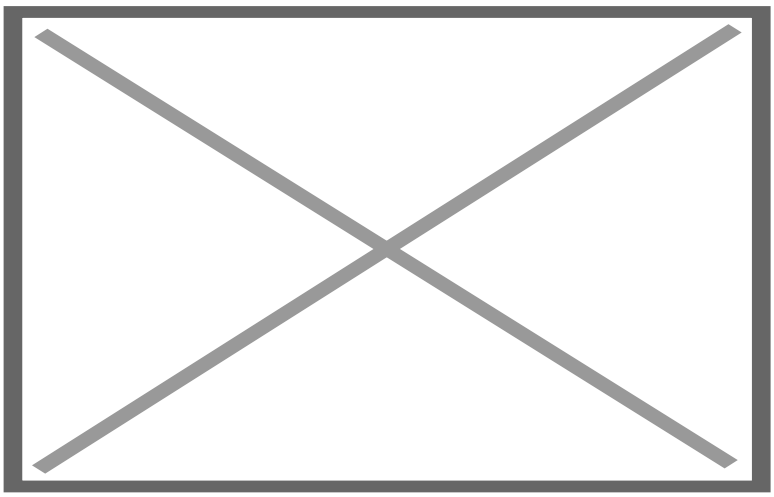
Business growth:

Innovation in products will lead to an improved product portfolio thereby, empowering the organisation to further accelerate business growth.

Innovation system (IS)

The main idea of an innovation system is the flow of technology and information among organisation and people. Initiatives and institutions are the key to an innovative process. The innovation system mainly involves the interaction between the key players who are needed in order to turn an idea into a process, product or service in the market.

Represented below is the National Innovation System model for products



Different perspectives of innovation have been evolved in this system. The innovation system model consists of following components:

- **Demand:** this includes demand from producers and consumers, demand is linked to industrial system, education and research and political system, which are interlinked together.
- **Framework Conditions:** the framework conditions that are directly linked to political system are financial environment, taxation, incentives (subsidies) etc.
- At the base of all these aspects we have the infrastructure which involves innovation and business support (R&D), standards, rules and regulations, IPR, capital and banking support.

In this model, demand for a product, technology or innovation emerges. The framework conditions of an innovation system are the aspects in which the players of the innovation system operate. The political system consists of the national as well as regional governments, the governance, research and technological development policies. These political aspects have a profound influence on the framework conditions. The political system affects infrastructure through research and development, policies, IPR etc. The infrastructure in turn supports

education and research and the industrial system in the development of technology and innovation.

Functions of the innovation system

- **Commercial activities:** Commerce and commercial activities are essential for an IS because without them there would be no innovation and the innovation system would not exist. In these activities the potential of new knowledge, networks and markets is converted into actions which will generate new business opportunities.
- **Knowledge development & diffusion:** Knowledge development is crucial for any innovation process. Therefore R&D and knowledge development are essential within the innovation system. R&D activities are mainly performed by researchers but even other players can be responsible for knowledge development. Knowledge can be diffused through various networks. Adequate diffusion of knowledge helps the policy decisions to be consistent with the latest technological insights and R&D agendas to be affected by changing norms and values.
- **Market formation:** New technologies often struggle to compete with existing technologies because the new technology is still in the development phase and not yet well adapted to existing standards and the functions it has to perform, resulting in slow diffusion. A protected space for new technologies can overcome this, and can be created by temporary niche markets, favourable tax regimes or minimal consumption quotes, and activities in the sphere of public policies.

Way forward

By adhering to such innovation system, existing as well as start-up organisations could get a boost in their businesses. As the innovation system involves finance, policies and standards the organisations will find it easy to manage their businesses and innovations.

Considering this, is it that we would like to create more facilities like we have done in pharmaceuticals? From business point of view, it will commoditise the entire business and it

would not remain at branding, marketing or selling level but it will go down to trading level.

Countries around the world who have already ventured into nutraceutical specific innovation systems are USA and some European countries. The concept of innovation system is necessary for understanding the holistic approach of innovation process and formulation of appropriate policies.

Question is can this innovation system be customised according to needs of different countries and used to understand and evaluate the innovation processes in nutraceutical industry for the growth of industry?

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