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The addition of trend analysis to the innovation process: a study of Belgian companies.

ABSTRACT

Nowadays it's hard for companies to distinguish themselves from their competitors. The key for success is revealing customers' drives to purchase and to implement this knowledge in the innovation policy of the company. Especially for innovation processes, not only current customer's needs, values, drivers and standards are important but current and future trends influencing future purchase behavior should be detected (Maenhoudt 2003). In Belgium, very little is known about the extent to which companies implement trends in their innovation policy. Therefore, our aim is to investigate the use of trend analysis in the innovation process of Belgian companies.

Keywords: trend analysis, innovation, product innovation process, consumer insight, societal trends

INTRODUCTION

Several media report daily about evolutions in society, shifts in consumer behavior and modifications in different industries. Over the years, these evolutions or changes that are described as trends, have won popularity within the business environment. Examples from several international economic industries show that when companies track evolutions in society and changes in consumer behavior, they are more likely to succeed in innovation. Innovation actions are needed when companies want to reposition themselves in a world that is subject to a constant change (Roothart 2008). Something what looks like a chance the one day, can be a threat the day after. That's why one should be able to distinguish the short-term evolutions and the long-term evolutions from another in order to operate more successfully. In businesses, everything starts and ends with consumers. Especially for innovation processes, not only current customer's needs, values, drivers and standards are important but current and future trends influencing future purchase behavior should be detected (Maenhoudt 2003). There where at international business markets there's an abundance of success stories when it comes to implementing trends, it's rather quiet on Belgian grounds. There's a lack of research on the contemporary situation of trend analysis within Belgian enterprises. Therefore, with this research our aim is to investigate the use of trend analysis in the innovation process of Belgian companies. First, we provide a definition of trends and innovations and present our conceptual framework. Next we describe our research method and results.

CONCEPTUAL FRAMEWORK/LITERATURE REVIEW

Trend – *‘A trend is defined as the direction in which something (and something can be anything) tends to move and which has a consequential impact on the culture, society or business sector through which it moves’*. (Raymond 2010).

The word ‘trend’ origins can be traced back to Middle English and High German where it meant ‘to turn’ or ‘to spin’ or ‘to revolve’. At the start of the twentieth century, the term was more likely to be used by economists, mathematicians and statisticians who used it to describe an upward or downward shift on a graph. That gave them the ability to predict long-term evolutions in an economic industry. Later on, it also became associated with aspects of our culture that are more difficult to quantify like emotional, textural, psychological or lifestyle changes that drive people in making choices (Raymond 2010). Vejgaard (2007) sees trends as long-lived changes that are adopted by many people. Vejgaard (2007) argues that trends spread through a social process. Based on the ‘Diffusion of Innovation’ theory of Everett Rogers (2003), he developed the ‘Diamond-shaped Trend Model’ to represent how trends migrate from the extreme edges of the culture to the more mundane mainstream. He argues trends are created by trendsetters, a distinct group because of their personality.

Trend theories

There are a few theories that try to explain how trends originate and spread. The diffusion of innovation is the most trusted theory when it comes to how innovations exactly spread. Diffusion can be seen as the process by which an innovation is communicated through certain channels over time among the members of a social system (E. Rogers 2007). In his research Everett Rogers was able to determine that, regardless of the innovation, the pattern of diffusion through a particular group, community or social tribe was the same. It all starts with

an Idea or with an ‘Innovator’ who had the idea. This so called ‘Innovator’ in turn passed this idea on to a group called ‘Early adopters’. These Early adopters in turn passed it on to a group called the ‘Early Majority’, who in turn transmitted the idea to yet another group, in this case ‘Late Majority’. Then the idea gets communicated to members of the community that are called ‘Laggards’. This group is according to Rogers the most resistant group of all to new ideas and changes.

Based on this theory Henrick Vejlgaard (2007) created ‘The Diamond-Shaped Trend Model’. This model shows a clear and easy route to map a particular trend through. What’s special with this model is that Vejlgaard created calculations that make it possible to plot the speed, or velocity, of a particular trend or product through each of the shaded zones of the Diamond-Shaped Trend Model. He also stated that the speed of a trend is also influenced by the country, city or town you measure it in, as well as social groups within which you track it.

Dawkins sees the diffusion of trends as a virus. In his book ‘The Selfish Gene’ (1989), he considers a ‘meme’ as a cultural version of a gene in that it self-replicates in response to a social, ethical, biological or environmental changes which might impact on its survival. According to Dawkins, memes can be anything: tunes, ideas, catch-phrases, clothes, fashion, ..

Trendmodel – Based on an extensive literature review in psychology, sociology, demography and economy books and journals, we developed a ‘Trendmodel’ that shows how trends originate and how they spread (Bourdieu 1979; Bourdieu & Wacquant 1992; Kaspersen 2000; Turner 1986). This model consists of multiple determinants of consumer and industry trends: (1) the societal trends which are determined by ‘demography’, ‘economy’, ‘social and cultural influences’, ‘technology’, ‘environment’ and ‘politics’; (2) the individual and its changing needs and wants (Evers 2000); (3) groups and their standards (i.e. subcultures and lifestyle’).. Based on interviews with experts in sociology, psychology and trend analysis, we added the

determinant 'media' which is split up in 'general facts and events', 'viral communication' and 'B2C and B2B communication'. This model is created to answer a first research question: 'How do trends originate?' and can be subject for further research.

The other defined research questions are: (a) to what extent do Belgian companies conduct trend research, (b) to what extent do Belgian companies value and use trends as input for their product developing and innovation processes and (c) which strategies of trend analysis do Belgian organizations use in different industries. In order to answer these research questions we conducted a case study research and a survey.

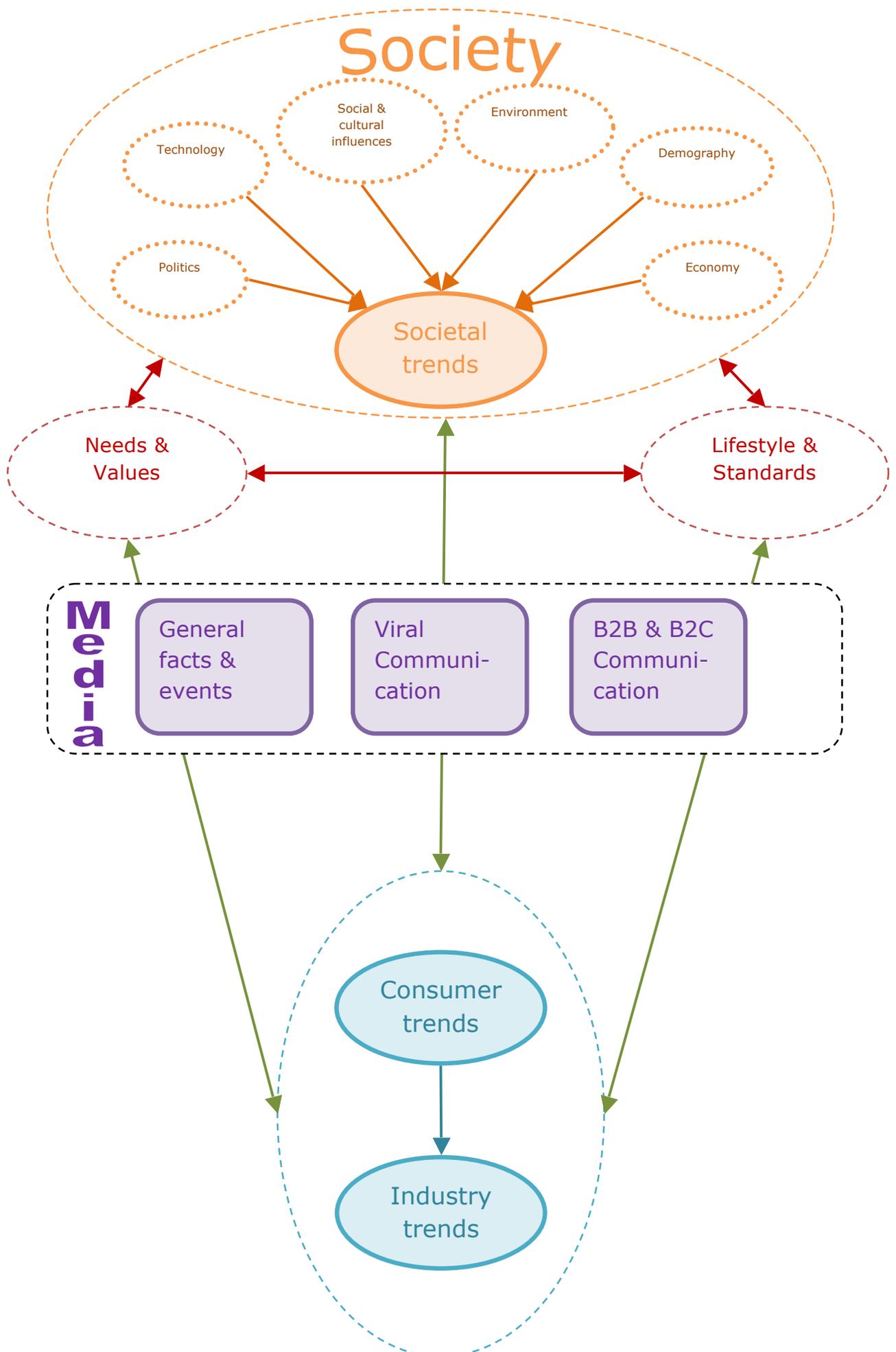


Figure 1: the Trendmodel (P. Couck & G. Vermoortele 2011)

Innovation – Innovation is used in this research in a broad context. We regard innovation not only as creating or modifying products or services (= technological innovation), but also adapting business processes and creating new processes in the field of marketing and communication (=organizational innovation). Organizations are constantly faced with a fast moving environment and society that makes innovation necessary to compete within their industry. When a company is able to create and implement new products and services, and create new internal processes, then growth can be assured (Brennan & Dooley 2005). Innovation is an answer to change according to Innovating (2003): *‘the overwhelming majority of successful innovations don’t come from individuals striving heroically in a shed, but from team efforts orchestrated systematically by enterprises. And more than anything, what these corporate entrepreneurs have tended to exploit is not so much intention or discovery, but change’*. An innovating organization can adapt itself and its actions to new demands arising from the environment by implementing new products and services, by modifying existing products and services, by emerging new markets, by changing the internal processes and policy and by introducing new technologies and new organization structures (Ekvall 1996).

The innovation process – Innovation means insecurity. It’s important to assess the impact of innovations to the organizational activities and make the translation to the market, in order to determine the performance of the company. Research shows that creating a structure for innovation, can reduce the insecurity (Amabile 1998; Baker 2002; Hamel 2000). Managing an innovation process means realizing various phases and evaluating at several moments during the process (Debackere, Van Looy & Vliegen 1997). Innovation can be described as a result of a managed process that creative ideas convert into useful solutions. There are several tools to manage innovation processes, examples are ‘The Innovation Funnel’ and ‘The Stage Gate’. Those tools are like roadmaps, both consisting of stages and gates. In these tools ideas get

filtered and only those who have the greatest chance in succeeding get through the whole funnel. But do those tools use trends while filtering and converting ideas in products or services? Trends are situated in the 'Idea Generation' phase, also called the 'fuzzy front-end'. In this first phase of the innovation funnel or stage gate, companies brainstorm in order to generate lots of ideas. Then these ideas get confronted with societal-, consumer- and industry trends to verify if they can proceed to the next phase of the funnel. But it works also the way around: trends are frequently used as an inspiration during brainstorm sessions. A well known Belgian example is the 'GPS voor Ondernemen' (= 'GPS for Entrepreneurship') in English), a tool created by Flanders District of Creativity (Organization that promotes creativity within Flemish companies). During a brainstorm session, the participants have to generate ideas based on six trends that are apposite to the industry. In the Netherlands trendwatcher Roothart (2007) even created a tool for innovation based on trends, called 'The Futuring Funnel'. In this futuring funnel trends are being pushed through a funnel in order to get translated in business concepts (Roothart 2003).

RESEARCH MODEL AND METHOD

OBJECTIVES

The purpose of this study is to examine if Belgian companies perform trend analysis and use it as a tool for innovation. In surrounding countries like the Netherlands, the UK and Germany, trend analysis is to a great extent incorporated in strategic decisions as well as in the innovation process of many organizations (e.g., Hallema and Ruigrok 2007). In the Netherlands, for example, the concept of trend implementation is common knowledge. Research (Ruigrok NetPanel 2007, 2011) showed that 45% of the Dutch companies they contacted used trends over the last two years to modify products and services to the consumers' needs. However, for the Belgian market, very little is known about the extent to which companies implement trends in their innovation policy. Our research question is threefold: (a) to what extent do Belgian companies conduct trend research, (b) to what extent do Belgian companies value and use trends as input for their product developing and innovation processes and (c) which strategies of trend analysis do Belgian organizations use in different industries. To answer above mentioned: questions we did (a) a case study research and (b) a quantitative survey-based research.

DATA COLLECTION AND SAMPLE

CASE STUDY RESEARCH

The purpose of the case study research was to find out to what extent trend research it is used by Belgian companies. We conducted a case study research in which the Belgian economic environment was set as overall case. More specifically, we used a qualitative embedded single-case design with twenty units of analysis. We selected 20 Belgian companies (one per economic industry) that indicated to incorporate trends in their innovation policy (i.e., best practices). We conducted (in-depth) interviews with the responsible for trend analysis within these best practices around three themes: market research, trend analysis and innovation.

The questionnaire contained items on (a) market research (e.g. Do they conduct market research? Qualitative and/or quantitative?), (b) trend analysis (e.g. How did the company get to know about trends? Does the company hire trendwatchers or do they coordinate their own trend research? How? How Often? Who?...), (c) trend analysis as a base for innovation processes (e.g. are trends used as a base for innovation? Why (not)? Where are trends situated in the innovation process? Examples?), and (d) importance of specific trends for the company or industry (e.g. nostalgia, localization, living with risk,...). After conducting and recording all interviews, we analysed the different topics in the questionnaire and discovered many insights and methods of how companies use trends in their policy and more specific during innovation processes.

SURVEY

A large random sample of Belgian companies was interrogated by a quantitative survey-based research to investigate the use of different strategies of trend analysis as input for innovation policy by Belgian organizations in different industries. An online questionnaire was set up. During six months (October 2010 to March 2011) data was collected. Over 4000 companies were contacted and asked to fill in the questionnaire. Several local research partners and other professional organizations helped disseminating the questionnaire by using the link in mailings, putting the link on their websites or in their newsletters. In total 206 companies filled in the questionnaire (response rate= 5%). This questionnaire had to be filled in by the employee who coordinates the innovation processes in the company. As one of our research questions is to find out to what extent Belgian companies use trend analysis, we included all companies and not only companies that already incorporate trends in their innovation processes. This questionnaire consists of three sections. In the first section we interrogated the companies about their internal innovation policy. Questions were included on the use of trend analysis as one of the many sources businesses could use as input for innovation. The second part of the questionnaire was about trend analysis in general. Here we included questions on the implementation of trend analysis in the company policy. The third section of the questionnaire was about how trends are used during the innovation process. We also included questions on some general company characteristics (e.g. amount of employees, industry, ...).

FINDINGS AND DISCUSSION

CASE STUDY RESEARCH

Analysis of this case study research showed that these twenty best practices are convinced of the surplus value of trend research within the innovation process. Trend analysis has become popular in Belgium only in the last decade and is mostly conducted by the CEO (in small firms) and by departments as ‘Business Intelligence’, ‘Market and Business strategy’ in large firms. Before the idea of ‘trend analysis’ came up, these actions were assigned to market research. Hence, we can conclude that trend analysis is executed high in the hierarchy of the company. Internal trend analysis (that is executed within the company, without hiring experts) consists out of reading specialist literature, analysing market research results, following social media and participating to events and network sessions. Companies that conduct external trend analysis, appeal to trendwatchers. These trend experts write books, general and tailor-made reports and are hired by companies for specific brainstorming sessions and inspiring presentations.

The results further confirm that trends are generally used as a means to generate inspiration, but also as a way to justify certain thoughts. All respondents confirm that trends are used during the innovation processes. Most companies use a specific tool (mentioned in conceptual framework) to structure their innovations. Popular tools are the Stage Gate and the Innovation Funnel, but some respondents even indicated that they created a tailor-made tool to guide them through their innovation processes. In order to know whether trend analysis is of great addition to the innovation process, it is also very interesting to know which trends Belgian companies acknowledge as important. Popular trends in Belgian companies are ‘health and wellness’, ‘pleasure’, ‘sustainability’, ‘storytelling’ and ‘nostalgia’.

Further quantitative research is necessary to generalize these findings to the Belgian market. Furthermore, more knowledge is needed on the value and use of trends in innovation processes and on the strategies of trend analysis used by Belgian organizations in different industries. Therefore, a comprehensive survey research was conducted.

SURVEY

Results show that the main three objectives for companies to innovate are to optimize the internal processes, to realize better product or service quality and to attract and preserve customers. Only 20% of the interviewed companies use a particular tool to guide them through the innovation process. The interviewed companies mostly rely on the sources that are “closest” to them (i.e. they have most contact with) when it comes to innovation: customers (68%) and subcontractors (44 %). But still 28% and 20% rely on internal and external trend analysis as a source for innovation.

We investigated how many companies know what trend analysis stands for. 64% of the provided definitions were in line with our definition. When we provided our definition of trends analysis (see conceptual framework), 79% of the respondents said to engage trend analysis in the company. In the conceptual framework we also defined three kind of trends, the societal trends, the consumer trends and the industry trends. Interviewed companies indicated that they were more likely to analyse consumer trends and industry trends over the societal trends. Literature study shows that consumer trends and industry trends are most useful for companies (Roothart 2007; Maenhoudt 2003; Konings 2006). Most popular reasons to engage in trend analysis were as “inspiration to innovation” (52%), “inspiration for product development” (52%), “to act more consumer-centric” (49%) and “to guarantee the continuity of the company” (48%). Almost all interviewed companies (97%) that engage in trend analysis, also indicate that it is a great addition to the company. Only 29% of the interviewed companies combine internal and external trend analysis. 71 % of the companies coordinate and execute trend analysis internally. Those companies do not hire trend watchers and the trend analysis is performed by employees situated highly in the company hierarchy (CEO, higher management). Trend research is implemented by reading professional literature, by

organizing meetings and brainstorming sessions and by networking on events. The interviewed companies that use external information in trend analysis prefer the trend events (25%), tailor-made reports by trendwatchers or trendbureaus (13%) and a 'trendsession' with a trendwatcher in the company (13%).

We asked the respondents which trends they consider as very important for the company of industry. Out of a list of 23 trends, the trends that are most popular in the survey were 'technologisation', 'convenience' and 'ecologisation'. We also conducted a factor analysis to see if there are patterns and we distinguished four factors. We named The first factor of trends 'Cool and Involved' with the trends: Massclusivity, Prosumer, Digital Natives, Urbanisation, Experience Economy, Kid is King and Dog is God and Amateur Professional. The second factor of trends is 'Eco-Tech' with the trends Ecologisation and Technologistation. The third factor is 'Societal Changes' with trends as Multiculturalisation, Living with Risk and Aging Population. The fourth and last factor is 'True Values' with the trends Nostalgia, Be Authentic, Localization and Convenience.

Results show that trend research is very popular as an inspiration to innovation. 88% of the interviewed companies that indicated to implement trend analysis in the internal company policy said to use it for innovation off which 96% indicated that trends research means a great addition to innovation.

LIMITATIONS AND FURTHER RESEARCH

Trend analysis became popular in the last 5 to 10 years in Belgium. In comparison to the Netherlands the number of trendwatchers and trend analysts is rather small which is one of the reasons that there's a lack of research about how and to what extent Belgian companies perform trend analysis. With this case study and elaborate survey we wanted to enhance our knowledge of trends analysis and use of trend analysis in innovations in Belgium. Our response rate was rather small, but still, we gathered on all industries in order to describe the methodologies, the various trends and the way organizations implement those trends in their innovation policy. The reason of this rather small response rate is due to the elaborate questionnaire. Although we set up a large questionnaire, we still noticed that we forgot some topics that might have been of great importance.

Further research is necessary to expand this knowledge. Also conducting this survey again in the future could show evolutions in the way Belgian companies implement trends in their innovation processes and if the use of trends, influences the success of innovations.

MANAGERIAL IMPLICATIONS

The research results showed that the Belgian companies consider trend analysis as a way to innovate more successfully. Both the case study research as well as the elaborate survey provided lots of insight into methodologies and examples of trend implementations. These results could be of great inspiration to other companies that are not familiar with trend analysis. The results have been highlighted and reported into more detail on the ‘Trendcongres’ (www.trendcongres.be), a seminar that has been organized, as part of our project, towards the Belgian companies. The goal of this seminar was to provide input for companies interested into more knowledge on trends and the implementation of it. With over 300 participants, we attained our goal in making companies aware of the addition of trend analysis to the innovation process.

Furthermore the results led also to “TrendSpot”, a brainstorming tool that uses trends as input to generate inspiration towards further innovation. This tool has been launched at the Trendcongres as well.

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