



News release

Date 6 November 2013

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The Most Innovative TMT Companies Expect 90% Growth Rate Over the Next Five Years

PwC Study Demonstrates How Technology, Media and Telecom Companies Can Harness Breakthrough Innovation to Grow Revenue

New York, 6 Nov 2013--PwC's recent global innovation study, *Seizing the innovation edge*, found that the most innovative 20% of Technology, Media and Telecom (TMT) companies surveyed expect a growth rate of nearly 90% over the next five years, more than twice the TMT average (37.5%) and over four times higher than the least innovative TMT companies (22.2%). The same top 20% innovative TMT companies collectively benefited from an additional \$45 billion in revenue over the last three years, compared with the least innovative companies. This is the equivalent of more than \$1 billion per company, or a 14% revenue uplift.

Data from the report indicates the top 20% of performers account for the revenue increase by establishing and executing a coherent innovation strategy and planning for a greater proportion of breakthrough and radical innovations. The report, the first of three papers exploring innovation within TMT, highlights how innovation is accelerating growth for leading TMT companies.

Dan DiFilippo, Global TMT Leader, PwC, said:

"Developing an innovative product or service is not enough to secure and maintain a leadership position in today's market. Companies must have a consistent innovation strategy, which separates them from the competition as our survey results demonstrate. Companies that adopt a coherent innovation strategy, with a greater proportion of radical innovation and a more diverse innovation portfolio, enjoy higher revenue growth and a strengthened competitive position."

TMT Today

Three hundred and seventy four C-suite TMT executives from across 20 countries were interviewed for *Seizing the innovation edge*. Analysis of growth patterns and survey results revealed that many TMT companies are missing out growth that could be achieved through a greater focus on breakthrough and radical innovations.

Survey data suggests that TMT innovation portfolios typically comprise 40-55% incremental innovation, generally considered to be changes to an existing product or service aimed at protecting market share and maintaining margins, yet are responded to quickly by competitors. More significant changes to technologies and business models, identified as breakthrough innovations, comprise 20-35% of portfolios of TMT companies surveyed. As competitors cannot respond as quickly or



meaningfully to these kinds of innovations, companies that employ these changes typically see more pronounced revenue and margin increases. Radical innovations upset the market and act as ‘game changers’ for the competitive landscape. Only 5-15% of TMT companies’ portfolios represent this kind of innovation, which have potential to create outstanding growth in new categories of products and services.

Raman Chitkara, Global Technology Industry Leader, PwC, said:

“It’s a common assumption that TMT companies are naturally innovative because their industries are rapidly accelerating. The fast pace of growth and change does not, however, necessarily make all TMT companies innovation pioneers. Within each sector, there are companies that have more focus on innovation strategy – those are the ones who statistically reap more return on their investments.”

Anatomy of Successful Innovation

PwC’s report found that 83% of the TMT executives interviewed realise that innovation is an important contributor to their company’s success, and 48% describe innovation as a necessity. Despite this acknowledgement, less than two-thirds of executives interviewed have a well-defined strategy for innovation and roughly half of TMT executives identify their company as “leaders but not leading.”

Investment was found to be a contributor to success of the top performers. PwC’s innovation survey data suggests TMT companies that spend a higher proportion of their revenue on innovation are more likely to benefit from higher revenue growth. Though this data infers that lack of innovation investment is a barrier to growth, more spending does not guarantee results.

Rob Shelton, PwC’s Global Innovation Leader, said:

“The common denominator of the top 20% of TMT companies surveyed is a strong culture of innovation; financial investment is one crucial aspect, but it’s not the only one. It is how you spend not how much you spend. Pursuing innovation across a wide range of business models and technology, making collaboration as core competency, and structuring the innovation process to make it repeatable and scalable are key markers of TMT companies that consistently rank among the most innovative.”

Forty-five percent of executives surveyed for this report agreed that establishing the right innovation culture internally was a key challenge to facilitating innovation. The series of PwC papers on this topic explore the common attributes shared by the most well-rounded innovative companies, or “Innovation Decathletes.” Instead of focusing on one area of innovative expertise, these “Innovation Decathletes” excel at multiple disciplines, and sustain characteristics of an innovation culture including ambition, versatility, risk acceptance, collaboration and endurance, among other traits.

Notes:

In the next paper in the TMT Innovation series, PwC explores the lessons to be learned from the most innovative TMT companies: how do the qualities of an “Innovation Decathlete” manifest themselves in practice, and how can you apply this to your business? The final paper considers how the barriers to innovation can be overcome and shares best practice innovation approaches occurring across the TMT industries.

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