

InnoCentive positions itself as a challenge marketplace

Published: 27 June 2012

Analyst(s): Dave Aron

U.S.-based InnoCentive is a crowdsourced, problem-solving marketplace spun off from Eli Lilly, with 250,000 registered “solvers” from 200 countries competing for more than \$35 million in prizes. Currently in its third round of venture capital funding, InnoCentive has a “Challenge Driven Innovation” platform that uses a network of millions of problem solvers, along with cloud-based technology, to transform the economics of innovation and R&D. Basically, the company uses prize competitions to solve major enterprise problems from the outside.

Case study

InnoCentive, a pioneer in open innovation and crowdsourcing, enables organizations to solve key problems by connecting them with their employees, customers, partners and what the company calls the world’s largest problem-solving marketplace. InnoCentive has partnered with leading commercial, government and nonprofit organizations not only to solve problems but also to innovate faster, more cost-effectively and with less risk. The company is headquartered in Waltham, Massachusetts, U.S.A.

Basically, InnoCentive uses prize competitions to solve major enterprise problems from the outside. According to Simon Schneider, general manager grand challenges and head of EMEA, this creates “a win-win for both the problem solvers and the enterprises with problems.” He cites the following statistics:

- **Solver network:** 250,000 registered solvers from 200 countries (with potential reach of millions through strategic partners such as the Environmental Defense Fund, nature.com, Popular Science and The Economist).
- **Challenges posted:** more than 1,420 public challenges and thousands of internal employee-focused challenges
- **Award dollars posted:** more than \$35 million

- **Range of awards:** \$500 to more than \$1 million, based on the complexity of the problem and the nature of the challenge
- **Average success rate:** more than 50%

Open source ideation is maturing

InnoCentive sees open-source innovation as gaining traction because it is applicable to most industries, particularly those with a heavy R&D focus, such as healthcare, energy, consumer packaged goods, government and defense. The company's "Challenge Driven Innovation" platform uses a network of millions of problem solvers, along with cloud-based technology, to transform the economics of innovation and R&D. "Many seemingly unsolvable problems can only be solved with assistance from outside the company," says Schneider.

Though turning to the masses to solve large, complex challenges isn't a new idea, Schneider points out that President Barack Obama's signing of the "America COMPETES Act" has opened many government initiatives to the public, giving crowdsourcing a definite boost. In Schneider's view, this affirms the strength of InnoCentive's concept. He expects the number of both challenges and solvers to grow, and predicts consolidation in the market.

Rightsizing problems and prizes compounds value

Schneider notes that aligning the problem and prize is crucial for success, and where InnoCentive concentrates on adding value for customers. "A \$1 billion prize to cure AIDS doesn't work," he explains. "Breaking the problem down into surmountable milestones, and creating appropriately sized prizes, is much more effective."

InnoCentive doesn't merely post such a problem; its value-add relies on abstracting problems to attract solvers from different industries and sectors. Schneider reports that InnoCentive's solution success rate is three to six times that of average industrial R&D, and the process may reveal an analogous problem already solved somewhere else.

He adds that presenting problems as challenges, with clear goals and prizes, has a multiplier effect. For example, the prize for a certain innovation was \$20,000, and that innovation led to \$12 million business. Moreover, open challenges, whether in the public or private sector, have high PR value, especially when the challenge is important or interesting to the public.

Future opportunities for the challenge-driven innovation model

In the future, Schneider sees opportunities for an innovation marketplace on a smaller scale, focusing on "Brainstorm Challenges" valued at \$2,500. He believes any R&D-intensive industry, local government or municipality could benefit from such a model's ability to generate solutions for everyday business problems.

Schneider also envisions InnoCentive's ideation platform as an alternative to venture capital, perhaps replacing the seed phase of startup financing. In addition, he feels the challenge platform has potential to be used as a recruiting vehicle.

Based on an interview with, and material from, Simon Schneider, general manager, grand challenges and head of EMEA, InnoCentive, March 2012.

Regional Headquarters

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Atago Green Hills MORI Tower 5F
2-5-1 Atago, Minato-ku
Tokyo 105-6205
JAPAN
+ 81 3 6430 1800

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9° andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509

© 2012 Gartner, Inc. and/or its affiliates. All rights reserved. Gartner is a registered trademark of Gartner, Inc. or its affiliates. This publication may not be reproduced or distributed in any form without Gartner's prior written permission. The information contained in this publication has been obtained from sources believed to be reliable. Gartner disclaims all warranties as to the accuracy, completeness or adequacy of such information and shall have no liability for errors, omissions or inadequacies in such information. This publication consists of the opinions of Gartner's research organization and should not be construed as statements of fact. The opinions expressed herein are subject to change without notice. Although Gartner research may include a discussion of related legal issues, Gartner does not provide legal advice or services and its research should not be construed or used as such. Gartner is a public company, and its shareholders may include firms and funds that have financial interests in entities covered in Gartner research. Gartner's Board of Directors may include senior managers of these firms or funds. Gartner research is produced independently by its research organization without input or influence from these firms, funds or their managers. For further information on the independence and integrity of Gartner research, see "Guiding Principles on Independence and Objectivity" on its website, http://www.gartner.com/technology/about/ombudsman/omb_guide2.jsp.