

FORUM

Driving value through innovation

A senior panel of innovation experts share their thoughts with *Brand Strategy* on driving value and managing risk in new product development

Elen Lewis: There are so many different definitions of innovation – how do you define it?

Arthur Day: Innovation is a misused word. We talk about going beyond consumer expectation and what the consumer can tell you.

André de Barros Teixeira: We combine the creativity, which is normally associated with innovation, with a commercial focus. We summarise it as 'creativity that sells.' If it's only selling but not based on some creative drive then it's probably not part of the innovation scope. On the other hand, if it's only creative and does not translate into commercial opportunity then it's the stuff of dreams.

Emma Fraser: We define innovation as anything which is outside our core UK drinks business. That includes launching into France and also any new products we sell under our brands.

Roger Neill: Innovation is doing new things, whatever they are. Built into innovation is the certainty of constant failure and the business of dealing with this is key.

Arthur Day: The issue of doing new things has to be put into the context of the market you're in. If you're in a mature market, like we are, then the new things that worked a few years ago don't work today.

Paul Walton: Frequently within big organisations a boss will ask for innovation without defining the terms. It's important to define the nature of innovation that business is looking for.

Roger Neill: You can become unstuck by that. I wrote to one multinational client in Australia, saying, "let's talk



innovation." He wrote back and said, "we don't do that anymore." In his mind, it had been defined very tightly.

Elen Lewis: As an organisation how do you strike the balance between minimising risk and adding value?

Roger Neill: I don't see it as minimising risk but managing risk. I think there's a lot to learn from the Japanese. They're not great risk takers but they launch tonnes of things and see what flies.

André de Barros Teixeira: Risk is not only the domain of innovation, risk is in everything business does. Hedging treasures in a company runs as much risk as innovation and still we don't hear as much about that. Taking risk and avoiding risk tend to be mistaken. I think implementing the right culture involves rewarding risk taking not just results. It involves performance measurements, which are different from tangible sales materials. It creates a risk culture which is then more conducive to an innovation culture.

Arthur Day: You also need a culture that's willing to learn from mistakes. You will make mistakes if you innovate, but rather than sweep them under the carpet and forget about it, you need to find out what went wrong. Too often people try to distance themselves from mistakes.



Emma Fraser: At Innocent, we're looking at launching food products under our brand and we've identified two separate risks. The first is that we stop focusing on making drinks and that's a risk we're not prepared to take. The second is that the food won't work and that, I think, is an acceptable risk in innovation. It's important to keep focusing on your core business.

Arthur Day: If your core business is profitable then you have money to invest. That's the time to innovate. The worst is when your core business is failing and it's hard to make a balanced decision.

Will Whitehorn: There's no trade-off between risk and innovation. The risk lies in not innovating. Innovation will always be a cost. To give an example in airline travel, we've just designed a new upper-class seat and it is definitely leading more people to book with us. However it cost £70m and we won't see revenue benefit until next year. If you look at the airlines that haven't innovated at all (and BA has) such as the US carriers, they are dying and now they can't afford to innovate.

Paul Walton: The best circumstances to get innovation moving is from a burning platform. One of my tips for complacent businesses in mature markets is if there isn't a burning platform, light a fire somewhere.

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FORUM

PARTICIPANTS



ARTHUR DAY: Head of innovation at Nestlé Rowntree, operating within the marketing department. His background in the company spans commercial, technical, manufacturing and R&D.



EMMA FRASER: head of the next big thing at Innocent, which involves looking at new opportunities for the company, outside of the core UK smoothies business. She began her career at Bain & Co.



PATRICK HARRIS: Founder and director of thoughtengine. Harris spent five years at Orange as the director of creativity and built the think tank that underpinned the company's global strategy.



ROGER NEILL: managing partner of Synectics Corporation. Neill began his career at JWT, latterly becoming deputy chairman at WCRS Worldwide. He was world president of the IAA 1990-1992.



ANDRÉ de Barros TEIXEIRA: VP, global innovation and technology development at Interbrew, presiding over more than 200 brands including Stella Artois, Beck's, Bass and Hoegaarden.



PAUL WALTON: chairman of The Value Engineers. He is a reformed adman and a founding partner of The Value Engineers with a special interest in innovation strategy.



WILL WHITEHORN: the Virgin Group's brand development and corporate affairs director and Richard Branson's official spokesman. Whitehorn began his career with Virgin in 1987.

Elen Lewis: How difficult is it to persuade your CEO and your board that it's a risk worth taking? Presumably it's easier to persuade within a company like Innocent or Virgin than it is with a company like Interbrew or Nestlé.

Will Whitehorn: I wouldn't agree with that. It's not about the difference between a privately-owned entrepreneurial company and a public company it's about the culture of the business. You can be a

FORUM



publicly-quoted business and still be very innovative.

Emma Fraser: I agree. We're seen as an innovative company because we're small but I think that it's also because as we've grown, we're aware of keeping the culture, keeping the non-hierarchy, so we can innovate.

Arthur Day: If you take Nestlé as a classic example; the origins of the business were entrepreneurial but as the company grows it optimises what it does and becomes populated by people who are good at driving efficiencies. Most people are promoted to senior positions because they made their budget and didn't take risks.

Will Whitehorn: Historically, food and drink organisations are quite good innovators.

Paul Walton: They're very good incremental innovators but quite bad at radical innovation.

Roger Neill: Some research discovered that the majority of small companies came out of large companies with ideas that had been rejected. A lot of small companies, having escaped with their big idea, then set up systems around it.

Patrick Harris: I don't think it's about big or small companies, I think it's about alignment. Orange didn't try to be innovative at all, but tried to represent five brand values which permeated the business and closed every single conversation that took place. The engineers, the service reps would consider all of these. From that the business was seen as innovative.

André de Barros Teixeira: I think in large organisations the role of the leader becomes very important. If you look at how Wall Street analysts examine a company they consider about 100 indicators before they get to innovation. Unless you have a leader that persuades the analysts that there is a value – whether real or potential – to be reaped from innovation, it's always very hard. This inertia, which effects large organisations can normally

be neutralised by strong leadership.

Emma Fraser: I think Apple is a good example of this.

André de Barros Teixeira: Yes some of these leaders become walking examples of innovation. You don't think of the president of IBM as being as innovative as Apple. Yet IBM has innovated as much as Apple but Steve Jobs embodies that.

Roger Neill: When we get brought in to change a company; the first thing I do is look at whether the boss is there, and if he is I look at what he's doing and saying.

Paul Walton: Whether you're a big company or small, you have golden periods and what's hard is maintaining that momentum.

Patrick Harris: The DNA starts to dilute somewhat. It's important to recognise the part of the cycle you're in.

Will Whitehorn: We've talked about innovation in terms of what organisations do or don't do. Actually, it's something which markets dictate or don't dictate. Internally we often take a decision to innovate because otherwise the market would dictate that we had to do it anyway. You might as well try to be first.

Arthur Day: Asking who your competitors are is key. If you ask your MD, too often they'll define it within the market you're already in, blind to new competitors in adjacent categories.

André de Barros Teixeira: When people ask me who our biggest competitor is, I say it depends on the time of day. The complexity in industry, which is reflected in how innovation is organised and managed, is also leading us to see the world through many different lenses. One of the mistakes we tend to make is to gaze at the start with a microscope when we need a wide-angle lens. It's important in innovation that we break away from rehashing market research. Some of innovation



is about gut instinct; the smell of opportunity and you have to create the mechanisms to capture that.

Will Whitehorn: If you're going to think about innovating, market research is not the starting point. It's much harder for consumers to visualise the possibilities of what might be.

André de Barros Teixeira: Separate the issues of consumer-driven innovation, instead, consider – is it consumer-centric or consumer-focused? The innova-

“What's important is to look at innovation as a new discipline rather than some R&D plus brand management.”
André de Barros Teixeira

tion will come from stuff which has not been seen. So that's why we're trying to couple innovation from consumer insight with innovation from observation. Sometimes it doesn't require

thousands of consumer opinions.

Will Whitehorn: People can be dishonest when you research things.

André de Barros Teixeira: Also, market research seems to operate on the basis of averages and averages are the best reading for mediocrity.

Emma Fraser: I think the challenge is when do you need to do some research? At Innocent we're launching food under our brand and marketing it to people like ourselves so we can trust our guts. We're also launching a kids drink, but none of us has kids, so we don't know the market. But we're observing kids in school to see what they like.

Paul Walton: Market research is key but it has to be market-orientated. If you start talking about risk and process, larger firms have big capital which stands and falls on

these decisions. If you're a bigger business with a £15m investment, you would not do that on gut alone.

Roger Neill: When asked by clients about how to speed the innovation process up, I always say; ask everyone what has been turned down in the last five years, see where the passion is and if there's a pattern. Nearly all the best ideas have been thought of before and there was some good reason why.

Patrick Harris: A similar question is what do people take from work, what are employees stealing? Management's never thought of it but as soon as they do they see powerful stuff walking out the door each day.

Arthur Day: We leave new products around to see what gets taken and what doesn't. It's amazing what you can learn.

Emma Fraser: If you're innovating do you innovate under your brand or under a sub-brand? Is that a way of reducing the risk to your core business? At Virgin do you ever have ideas that you like but reject because they don't fit in with your brand?

Will Whitehorn: Yes lots. We were in a meeting with Richard Branson with a list of all the potential projects we're researching. We've set a criteria against these different companies. The first in the list is brand fit, then factors such as, can it reach 100 million in scale. Richard took a look at the list and said, “well you've got brand fit in here but nothing on brand enhancement.” That's now number two on the list. Some things we might do if the enhancement is there. The other boxes need to be ticked but if those two are, then we may go ahead anyway.

André de Barros Teixeira: For us, innovation is about breaking away from the nerd in the lab so they become more business savvy, getting the marketer to understand that intrinsics are important in the product. What's important is to look at innovation as a new discipline, rather than some R&D plus brand management. ■