



**making
innovation
happen**



“Well thought out and activated innovation can pay back in spades to both manufacturer and retailer.”

- Jeff Rogut

CEO at Australasian Association of Convenience Stores

Populating the pipeline for the future has been an ongoing challenge in FMCG.

What we frequently call innovation is more often something that addresses an immediate need. It's a short-term reaction or relatively cost-effective and sensible response to a gap in current insight.

This is a big problem.

Innovation is not only a key route to business growth but also a powerful way to maintain relationships with consumers. It keeps them engaged.

Much like in fashion, FMCG brands must stay relevant in order to remain 'en vogue' (and in shoppers' baskets). We live in a time of unprecedented change across all elements of the value chain; and a time where consumers have taken the power back. Retailers and manufacturers have far less control than they once did.

How can the Australian FMCG and retail industry leverage and invest in innovation, in order to succeed not just today, but tomorrow?

It's time to bring the future forward.



the innovation problem

The key question facing successful businesses is: how can you reconcile your innovation need today and anticipate the needs of tomorrow? Renovation (tweaking or optimising existing offerings) has a role to play, but we must remember that it can only take us so far.

In research and marketing, we hear a lot about innovation. We talk a lot about innovation, and sometimes we get to see true innovation.

Great “innovation” does not have to be the biggest or most unexpected idea (although that’s always exciting). However, typically FMCG brands are cautious innovators. All too often, innovation is based on volume calculations and a response from the current audience, in the current mind-set rather than with the future in mind. The pipeline of products is often populated opportunistically, with only the next 12 months or so taken into consideration.

Ideas which may succeed in the future, right now seem niche and unviable.

Ground-up innovation often takes so much time and resource to bring to fruition, that the need has either been fulfilled elsewhere, or the market has moved on. Added to that, is the fact that insights partners are often kept at arm’s length until such a time that there is “something to test”. So, researchers are faced with a challenge...

How can we provide guidance and inspiration if we don’t know the path that has been taken? How can we inform decision-making if we only focus on short-term volume, and not long-term growth?

Brands must develop a portfolio that caters to both the present and the future; leveraging insight that delights today’s consumers but also anticipates the needs of tomorrow.



insight or foresight

“We are always on the lookout for great innovations backed by science and technology.”

- Greg Holden

R&D Manager at Lion Dairy and Drinks

Researchers are exceptional at insight. Foresight is a discipline in its own right.

Insight is reading between the lines and connecting the dots, foresight requires a true understanding of what plausible scenarios businesses will be working with in the future. Foresight (driven by science and technology) helps us to understand what consumers will be accepting of, and looking for, in tomorrow's world.

Foresight and insight require very different approaches. The key to success in the latter comes from tapping into

external networks and having the flexibility to source innovation expertise as required.

The intersection of these two lenses paves the way for true competitive advantage. It can guide businesses to design a pipeline of innovation for both today and tomorrow.

The FMCG industry needs to find a way to actively tie insight into the specialties of foresight, technical development and the incredible intellect of emerging academics, so that the future is a little more tangible, and the pipeline is a little fuller.

innovation in the “too hard” basket

HOW MANY TIMES HAVE YOU
SEEN INNOVATION THROWN
INTO THE “TOO HARD” BASKET?



There are countless hurdles, pain points and challenges for anyone trying to innovate: resources, costs, time, fear of failure, lack of creative thinking, no process for managing idea generation, lack of strategic research, conservative attitudes... the list goes on.

For the manufacturer, getting through the retailer gate can be difficult, with brands needing to demonstrate that they will grow the category whilst not cannibalising others. However, this is not an easy feat, given that most categories in the FMCG industry only experience modest growth year on year.

If projects do get the 'go-ahead' they can be too long-term and momentum can be lost due to changes in personnel, or the project being deprioritised as the business changes.

Often, R&D teams aren't even based in Australia, adding an extra layer of complexity to the problem and taking the power out of the local team's hands.

The longer a company has been in business, and the more mature a brand or category is, the harder innovation can be. Businesses tend to chase volume over value but this leads to short-term thinking and quick wins. All too often, a highly engaged niche is overlooked, as it is hard to see their role in the future of the portfolio.

True innovation is often held as the domain of entrepreneurs - fail fast, learn lots, move on. Conversely, the processes, inertia and hierarchies of established businesses can result in risk aversion and a constraint on creative thinking. Often, it takes companies being bought out to really shake things up - much like in the case of Peter's Ice Cream.

quick wins, tactical tweaks

The end result of this attitude, particularly for established businesses and brands, is to focus on the quick wins: simple extensions leveraging proven formulations; tweaks to packaging design or format; and 'costovation' (rather than trying to increase share, some seek to increase profit in a shrinking pool by changing suppliers, ingredient substitution or downsizing). A key problem arises here; every time you take away a little slice (aiming for 'at least parity') you shave a little bit out of the mix - each individual change may not be significant but over time they all add up, and can damage the brand.



“Innovation planning has previously been ad hoc and sporadic with many ‘fast to market ideas’ failing to attract a loyal consumer following.”

- Stuart Quigley

Young Food Innovators Course Director
at Meat & Livestock Australia



rethinking innovation

We need to rethink innovation and we need to challenge inertia.

Innovation does not always have to mean revolution... it could be a change in format which creates a new occasion, for example, Chobani created a pouch format which targets adult yoghurt drinkers (rather than children) and Berocca innovated with 'Twist-n-go' ready-to-drink bottles in order to fit their product into consumers' busy lifestyles.

There IS room on the shelf... the opposite attitude is closed thinking. Due to the growth of online shopping there is now more warehouse space than shelf space and robots to pick items which don't always even go into a store. We aren't as constrained as we used to be. Technology will change again in 5 years' time, so we need to think differently and with flexibility.

The rapidly changing marketing, consumer and retail landscape means we need to think about 5 years' time, not just what's in front of us or the next 12 months. The way we express and communicate products is even changing, with consumers looking for an individualised experience, for example. We must ask ourselves what this means for marketing communications and the products that people will choose moving forwards.

A2 Milk is a perfect example of a brand using communications to tap into an emerging consumer trend towards gut health and personalised health. The company became hugely successful despite bad press around dairy.

The company were (and are still) able to sell at a premium price because they spotted what people were looking for.

Freedom Foods cite on their website about how they started making gluten-free foods before gluten-free was 'even a thing'. They saw where the market was going and took that risk, which has helped the business succeed in making a name in the health space.

Currently, some companies are using their established brands to help them extend into other categories. This can be concerning, as it can dilute the value of the brand and the 'reason to believe' e.g. Cadbury Vegemite block was unsuccessful compared to the Cadbury Oreo block which was successful.

There are countless ways to innovate and countless considerations that come with each. So, where do we draw the line? When do we innovate? How do we know whether it's time to innovate or renovate?

The famous 'Thank you A2' campaign drove emotional connection amongst dairy sensitive consumers and led to an impressive 90% growth in sales over 2 years.

- Marketing Magazine, 2015





enabling innovation & facilitating renovation

What if innovation and insights specialists started partnering up?

As it stands, research agencies are only brought in when there is something tangible to test. Researchers get to see the traditional stage gate funnel but are often only engaged in one or two places along that journey; rarely do we hear about the innovation and development process. This means brands are at risk of losing efficiency and diluting knowledge in the overall journey.

However, if we are involved in the whole journey, we are able to guide decision-making .

The bottom line is that when tracking (or performance measures) suggest something needs to change, brands must enable the prospect of innovating and not just renovating. Of course, there is a role for both, but we should aim to stop ruling out innovation simply because it is 'too hard'.

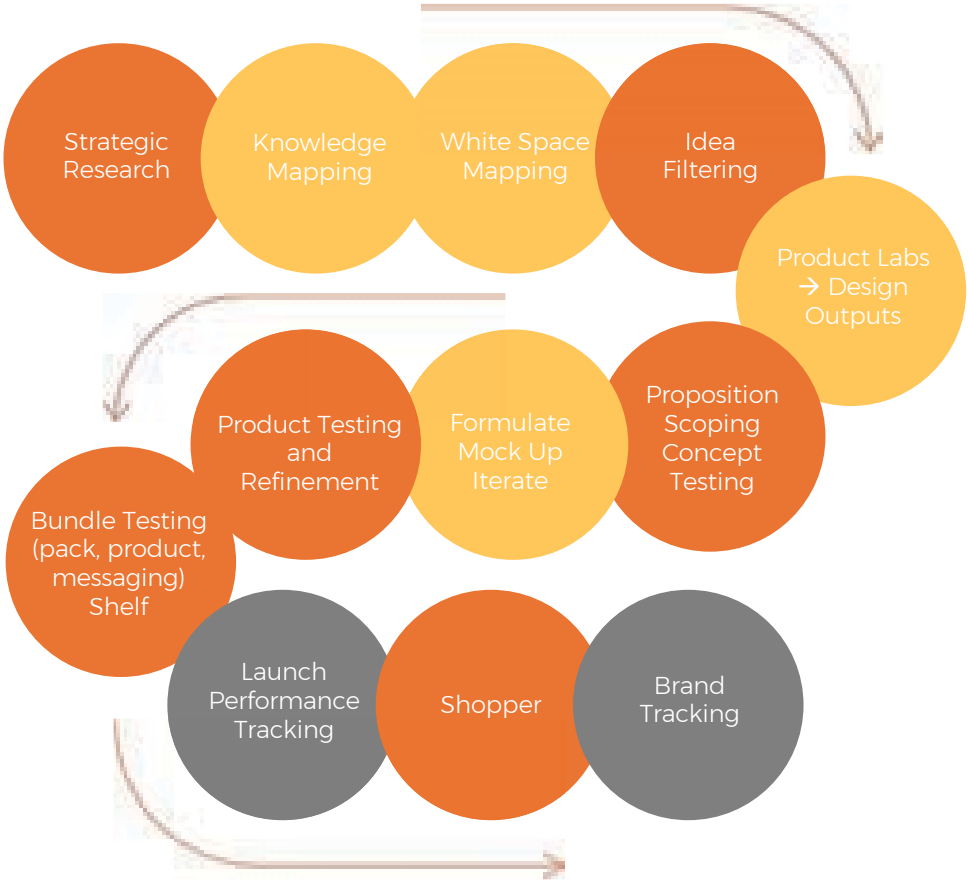
inspiration, infrastructure, insight

What if innovation specialists, futurists, academics and insights agencies started collaborating with their client teams to explore both the short-term and the long-term futures?


By putting our heads (and tools) together, we can leverage insight and existing infrastructure to accelerate the process for creating iterations, as well as identify when there is a need for real change.

A great innovation pipeline responds to what the world might be when the product is executed, not just a projection of what we know and would like. This future is informed by science and progress in technology. Of course, the further this future reality is from the core products you sell right now, the more you need consumer and shopper exploration to inform your decisions.





● Innovation Specialist
 ● Insight Partner
 ● Independent Agency



eliminating the pain points

When we think about an all-encompassing approach to innovation or development, it becomes quite clear that there are endless opportunities to make things easier.

Not everyone can have that ground-breaking creative idea but this can be facilitated by specialists. Some insight managers may be so close to their category that it is hard to ignore the constraints that currently exist, to think longer term. Some may doubt the merit of their ideas.

It is not the sole responsibility of R&D, marketing or insights teams to solve the problem. Along with clever marketing communications, ensure a consumer lens is applied to innovation, along with science and technology, to create a true point of difference.

At the end of the day, external support from innovation and insight partners - particularly amongst the rapidly changing societal, technological and retail climate - is necessary. For the benefit of all parties involved, it should be welcomed.

making innovation a way of life

So, you've got the whole picture and a variety of external perspectives but how can you make innovation a way of life within your organisation? How can you commit to creating true advantage?

- > Opt for a 'fail fast and learn lots' approach rather than solely 'quick wins'
- > Encourage and incorporate entrepreneurial thinking into big business
- > Drive a '+1 thinking' and ideas culture to empower individuals
- > Have a process to ensure that innovation continues e.g. future focused personnel
- > Acknowledge that not all projects require an innovation process, and not all innovation is 'big-ticket', 'break-through' or a 'game-changer' item

“It involves having an innovation culture that is built into the organisation, and it requires a leader that is willing to take some level of risk. A case in point was Weet-Bix Gluten-Free. It was an opportunity. The product tasted great, but the investment in capital expenditure and people was great. The payback however, was worth the risk”

– Munisha Vanmali

Former Senior Insights Manager at Sanitarium



turning on the light bulb

Success has many fathers...
Failure is an orphan...

We know how hard it can be to truly innovate. Yet the fragmentation that exists in the current systems of many businesses only serves to compound the challenge.

Innovation should be a journey taken in partnership. It should be done in a way that leverages a network of science, technology, infrastructure, pragmatic assessment and independent performance measurement.

As marketers, we must realise that some ideas may take years to develop and launch, and if we don't cast our thinking far enough into the future and plan, the opportunity may have passed by the time we're ready.

So, perhaps the FMCG industry could speed up the innovation process (albeit up to a point), if only we'd give ourselves the room, the time and the variety of perspectives required, to deliver to the future's needs. Then you could argue that we have created a true innovation pipeline.



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