

Bringing innovative products to consumers in modern markets

Tim Brooks

GlaxoSmithKline Consumer Healthcare

An apology

- **‘Copy from one, it's plagiarism; copy from two, it's research’.**

John Milton

The only defensible form of growth is growth against
the competition

“If all you're trying to do is grow, then it's unlikely you'll succeed.”

“If all you're trying to do is grow, then it's unlikely you'll succeed.”

Growth
critical

What if you're trying to grow a market, not just a company? The same logic applies to price competition.

What if you're trying to grow a market, not just a company? The same logic applies to price competition.

For brands in growth

23% of sales

62% of growth

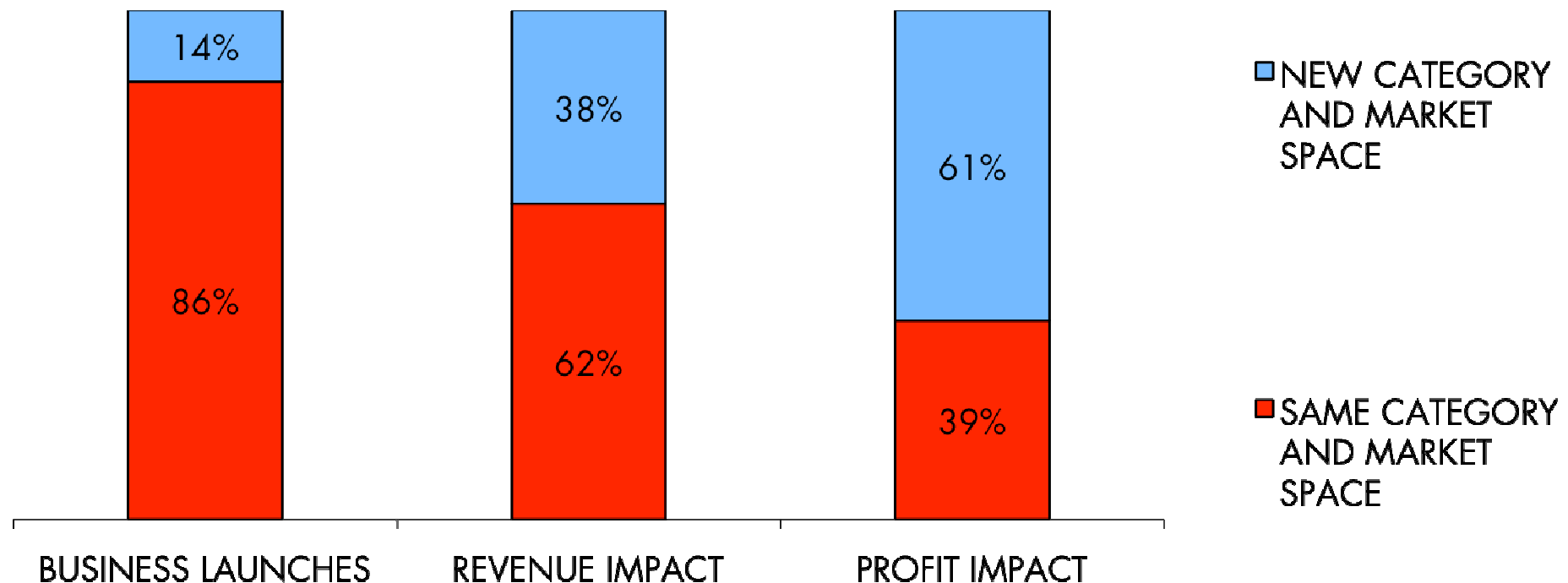
Drives news...

Builds equity

Source: AC Nielsen

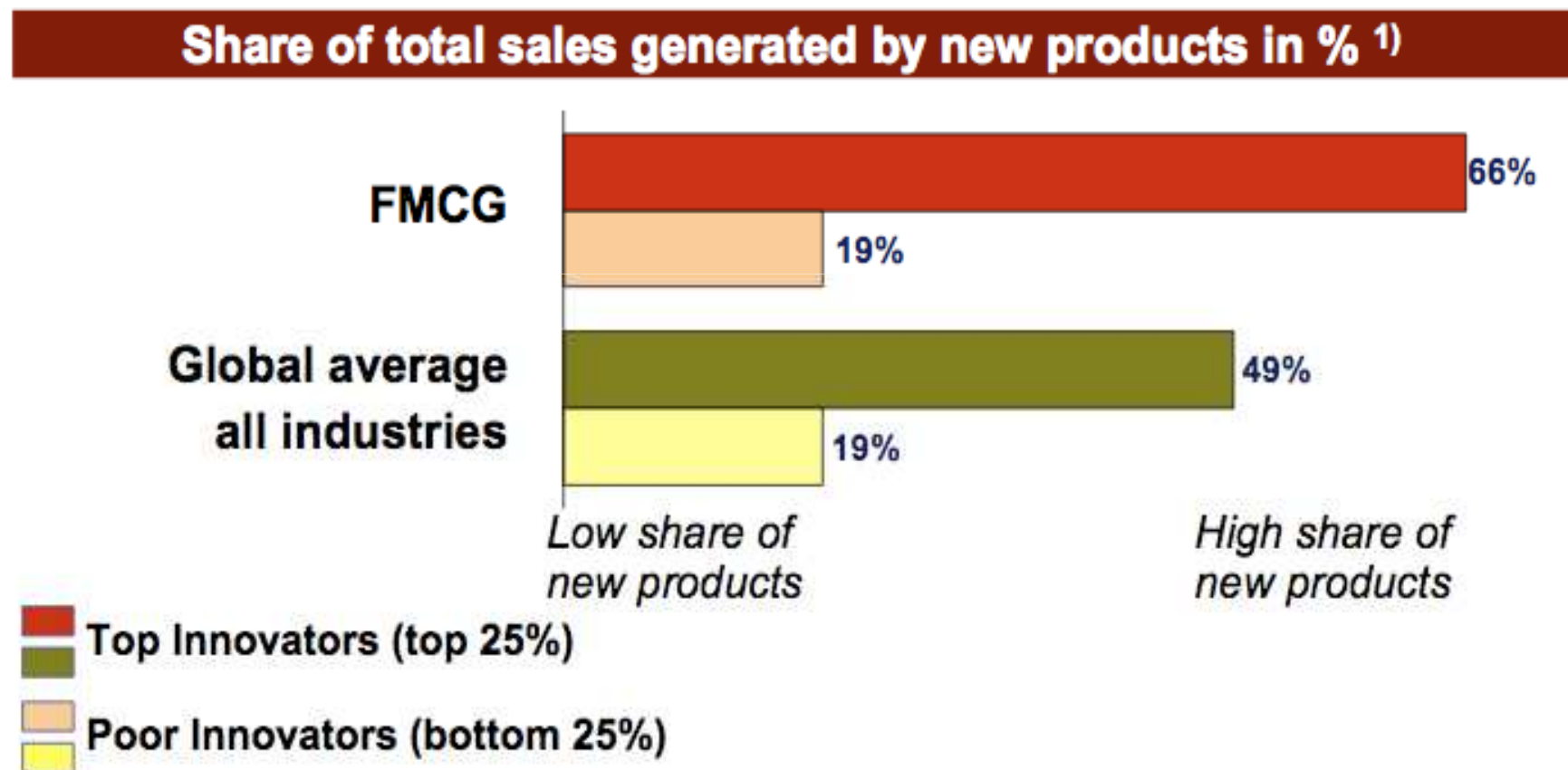
Revenue and profit growth comes disproportionately from innovation

STUDY OF 108 PRODUCT AND SERVICE LAUNCHES



SOURCE: BLUE OCEAN STRATEGY BY W. CHAN KIM AND RENEE MAUBOURGNE

Top quartile FMCG companies have 3.5x higher market share of new products

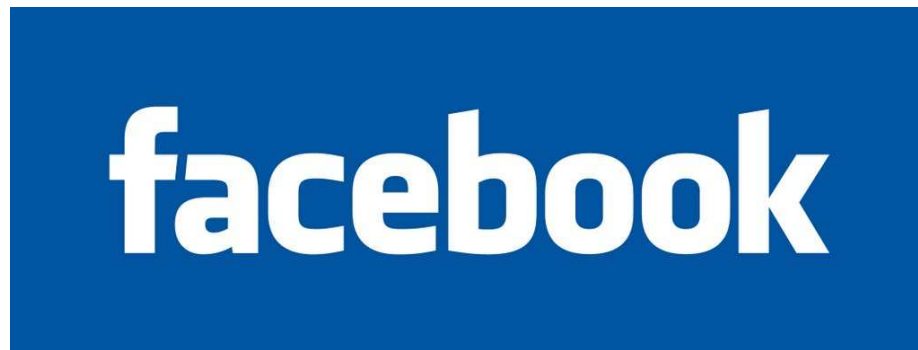


1) Revenue share of products launched in last five years
Source: Arthur D. Little 2005 Innovation Excellence Research

The
innovation
challenge...

“You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new.”

Steve Jobs, Apple



Connect
without
talking



Discovering

Needstates

The heart of successful innovation

Responding

Predicting

- **‘If you’re not failing every now and again, it’s a sign you’re not doing anything very innovative’.**

Woody Allen


The Innovation Challenge - failure



"1997 Consultancy X review of initiatives showed only 35% meeting financial objectives."



"80% of new products fail within 3 years"



"2001 European review shows only 1 of 3 new products are profitable"



"2003 global review reports that less than 30% of all new launches reach objectives."

Source: Nielsen Bases 'Secrets of New Product Success'

The Innovation Challenge

*Why is
strong
innovation
critical?*

The bar is rising...

- Retailers seeking to cut back SKU numbers
- Retailer: '12-week window' to succeed
- Speed of own label/copying
- Competitive intensity increasing



*Why
now?*

Recession hits innovation

- 25% less 'new' SKUs in store year-on-year
- Innovation can drive post recession growth
- Can help remove over reliance on promotions



*What does
this mean
for brands*

Pressure to be truly innovative

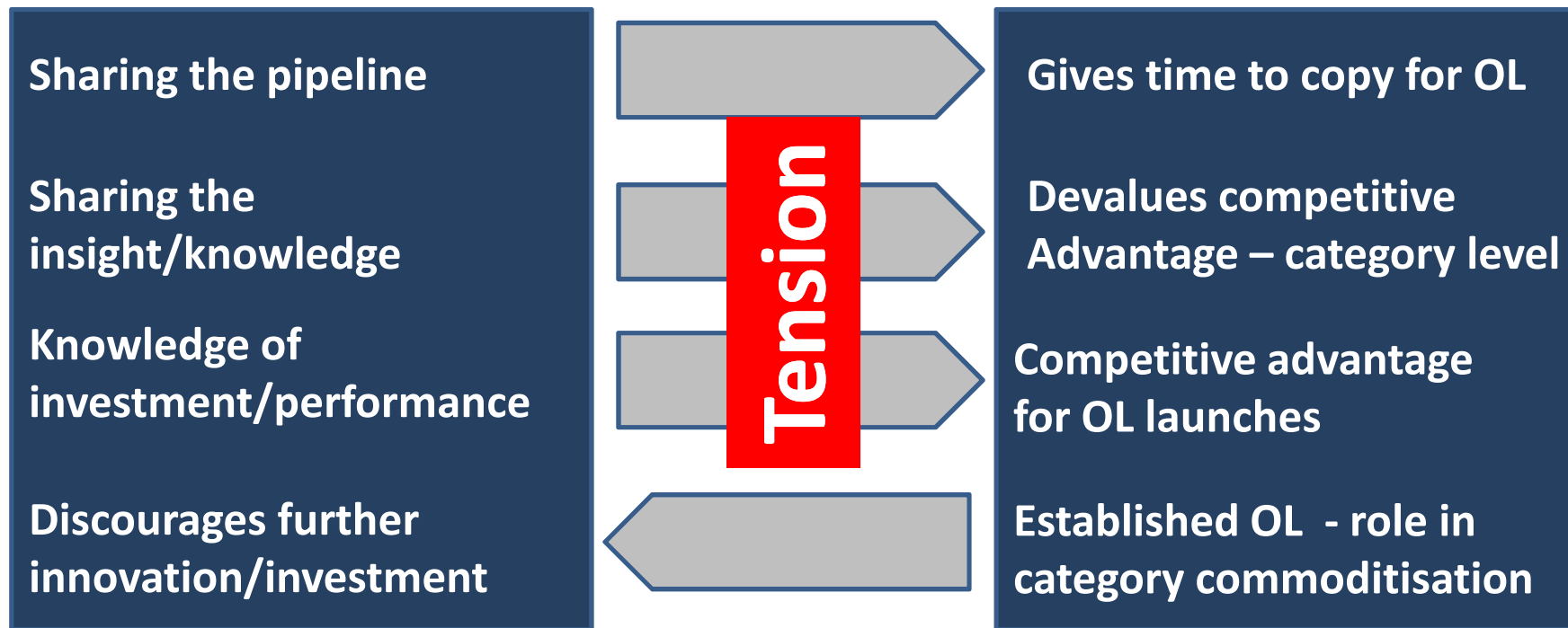
- Consumer [needstate]- rather than capability-led
(added value not 'me too')
- Will our NPD really grow the category?
- Big I vs small i





An uncomfortable dynamic

Retailer as Customer AND Competitor?



Impact: increasingly foreshortens opportunity for ROI, drives small i vs BIG I

An uncomfortable dynamic

- The branded business model ➡ mass distribution
- Can limit ability for marketing investment
- Increasingly short term approach ↑ risk



- GSCOP et al help
- Blunt vs. total relationship investment



Need to balance interests?

Retailers are great innovators

The Amazon logo, featuring the word "amazon" in a bold, black, sans-serif font. Below the text is a curved orange arrow that starts under the 'a' and ends under the 'z', pointing to the right.A screenshot of the Tesco website homepage. At the top left is the Tesco logo, and at the top right is the slogan "Every little helps" in a cursive font. Below this is a navigation bar with links to "Contact us", "TESCO direct new!", "Groceries & Wine", "Entertainment & Books", "Finance & Insurance", "Phones & Broadband", and "More Online Stores". The main content area features a large blue banner for "Tesco Internet Phone" with the text "Use your broadband to talk for less." and a "find out more" button. To the left of the banner is a red circle with the text "Our 'Call-your-best-friend-for-hours -on-end-for-a -good-natter' package." and an image of a cordless phone. Below the banner are several smaller links: "Clubcard", "Health: Healthy Snacks", "Community: Talking Tesco", "Environment: Tackling climate change", "Baby: NEW! BABY & TODDLER CLUB", "What's on in store?", "Store Locator", and "PRICE CHECK". At the bottom is a footer with links: "Help | Site map | Careers | Investor relations | Media information | Privacy policy | Terms & conditions" and an "RSS" feed icon.The No7 logo, consisting of the text "No7" in a large, bold, black, sans-serif font. The "No" is in a standard font, while the "7" is stylized with a thick, curved bottom.



Summary: The Innovation Challenge

- **↑ cost of acquiring consumer needstate understanding**
- **↑ cost of product development – bigger gaps, ↑ cost/risk**
- **↑ cost of change & complexity; factories, inventory etc.**
- **↑ ↑ cost of marketing new categories/products – not just a year 1 cost ➡ 3-5 year payback**
- **↑ organisational investment in launches**
- **↑ cost of driving behavioural change in new categories**
- **↑ ↑ cost of launching new brands**
- **↓ low hanging opportunities**
- **↑ risk of brand stretch**



**‘It’s TOUGH! If
we didn’t have
to we wouldn’t
bother!’**

Tim Brooks – Marketing Director, GSK

CHANGE



Not a manifesto to protect big
brands & companies

It's big now but was an independent start up: Innocent



- Hot on the *needstate*
- Differentiated *brand*
- Differentiated *marketing vs category*
- *Acquired* by Coca-Cola [different innovation model]



Collaboration

A blue-tinted image showing the silhouettes of four people holding hands and standing on the peak of a large, rounded object, possibly a stack of papers or a hill. The background is a light blue gradient.



Disruption

A black and white image showing a row of incandescent light bulbs. The bulb in the foreground is lit, glowing brightly, while the others are unlit. The background is dark, and the bulbs are arranged in a perspective line.

Market changer innovation

- Hot on the *needstate*



- Developed with *super consumers*

- Differentiated vs category

- 14% of US market, 1m units, only 18 months post launch





Innovation – ‘Clunkers’



Branding is
[usually] essential
to deliver the
market opportunity



SPECIALIZED®



cannondale



GARY FISHER

Role of branding

Role of innovation in economy

Improve offering

Meet new needs/gaps

Create category growth/new categories

Influence corporate reputation



Role of branding in success model

Own the advances

Provide trust for the consumer

Define & win in the sub-category

Brand association

Branding magnifies and makes it
more possible



**The Highway
Listen Up
MP3 Player**

or



**The apple
MP3 player**

or



?



Category innovation – brands build scale



Creating the right environment for innovation growth



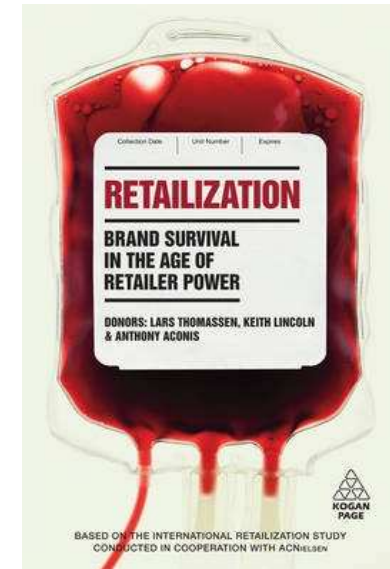
UK plc



Ensure that the competitive environment allows the innovator adequate opportunity for ROI



Positive destination
for investment –
tax/IP et al

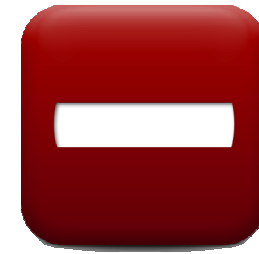


Increasing pressures on
the brand/innovation
business model from
retailers

Is the innovation environment better or worse than 10 years ago?



- Still lots of unmet needs
- New models of disruption/ collaboration & the role of super consumer ➡ new entrant opportunities
- Technology/speed of change ➡ new channels
- The Brand is still critical [new or old]



- ↑ cost & complexity
- ↑ speed of copying
- Shorter 'proving' times
- Ability for innovation to be commoditised
- Impacts ability of innovator to achieve ROI
- Lots of small i vs. BIG I = big risks/big £££