

Innovation is the tension between what works and what might.

High Wire

What does innovation mean to you?

Marc Speichert: Innovation is the ability to drive change, make it stick, and transform the organization. Being good at innovation is more important than ever before, given the pace at which everything is moving.

Just think about some of the big digital plays — Google, Amazon or Facebook. Every day when you open the paper it seems they are launching some major innovation. A consumer

increases consumer loyalty and helps us drive profitability.

When you look at a brand's performance, you can immediately spot those that have had a very strong pipeline of innovation and those that have not. There's a very clear correlation between brand innovation and its performance in the marketplace.

Peter McDonough: Innovation is an idea, an approach, a product or process that delivers a new benefit that stimulates growth for a company.

Darren Serrao: Innovation is too big a word to have a single definition. At Campbell, we think about four different types of innovation, starting with commercial innovation, which gives us unique ways to position a brand to promote a product or service.

Then we talk about sustaining innovation, which some people call the “-er” innovation — where you are making things better, cheaper, or faster — and more competitive.

We think about adjacent innovation, where you're taking your brand equities and moving them from their core categories into adjacent categories to try to expand their meaning.

The last area is breakthrough, or disruptive, innovation. That's where you are creating new solutions for large, existing consumer problems that re-imagine the solution in a way that changes the basis of competition in that category, or creates a whole new category.

Ultimately, innovation is about creating long-term, sustainable growth through differentiated solutions that bring new meaning and new value to consumers.

Michael Harris: A true innovation is a solution for the consumer. Often it's a solution that they didn't even know they needed, but once presented with it, they embrace it

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packaged-goods company needs to have a similar mindset.

Laurent Faracci: Innovation is equity. It's why people are attracted to our brands. It's why people stick with us. Innovation is in everything we do every day.

Historically and traditionally, innovation has been very much focused on the product and its performance, design or convenience. It is driven by the fundamental consumer insights that time is scarce and product performance matters. That's what

Most people think about innovation as a new product, which might be a line-extension or a new trademark. However, innovation can take many forms, and all of them are critical to how we approach the marketplace today.

Innovation can involve creative marketing approaches that leverage social media through storytelling. It can be developed through a strategic alliance, such as the one Diageo has with Creative Artists Agency to build content that underlines brand attributes, values and image.

A ROUNDTABLE FEATURING

Marc Speichert
L'Oréal USA

Laurent Faracci
Reckitt Benckiser USA

Darren Serrao
Campbell Soup Co.

Peter McDonough
Diageo North America

Michael Harris
Marketing Drive

fully. Sometimes innovation can happen unexpectedly, and those who capitalize on such opportunities and make the most of them will be the most successful.

Text messaging, for example, was almost an accidental innovation, a by-product of the cellphone companies. They created it and then realized that they had the bandwidth to support it. I don't think people were asking for text messaging at the time, but today many people can't seem to live without it.

What is innovative about marketing today?

Speichert: At L'Oreal USA, we've created a go-to-market incubation fund within our marketing organization called Next. We identify key strategic areas for experimentation and potential partners for pilot tests.

For example, we partnered with Placecast, a geo-location startup that helps drive traffic into stores. We did a test with Kiehl's, where if you are close to a Kiehl's store, you get a message encouraging you to pick up samples there. We had tremendous results in traffic and sales, so we expanded it to all of Kiehl's stores and are now rolling it out to other parts of the organization, as well.

We also partnered with *Glamour* to create an event around Fashion Week, where the consumer could shop from a taxi. We placed a video about how to get the look on the TV screen inside the taxi, and consumers could actually purchase products during their ride and have them shipped to their home.

Faracci: There is marketing innovation in the way you gather

data and use it to turn a shopper into a buyer. Everybody has so much data, but nobody really knows how to use it. You have to find ways to turn store loyalty-card data, and your own data, into consumer insights that lead to new sweet spots, and meaningful marketing innovation.

E-tailing is also transforming the way we think, communicate, and go-to-market. It provides a very low cost-of-entry for new products and allows us to test them more easily. Most important, e-tailing allows us to provide very rich content that consumers can learn from—even if they don't buy anything online.

McDonough: I can't imagine approaching marketing without an innovative mindset. Marketing has to constantly revisit assumptions about the best ways to connect and engage with consumers in terms of the message, the medium, and the culture. The days of big media

innovation. We're no longer just thinking about the product alone as the outcome. When we make that shift, we can understand how the consumer experience has improved, and we can extract the value of that experience as profit. If we don't do that, we tend to get bogged down in very small differences between the incumbent product and the new product that aren't durable and lasting.

Consumer-product research techniques are also evolving quite significantly to try to yield more predictable outcomes. The failure rate of innovation has been so high that it was almost cost-prohibitive to be innovative. So, we are doing a lot of work to understand new propositions and the value they create as early as possible.

Harris: On the product side, I don't think we are in an era of great innovation. Even Apple, the poster-child of innovation, is

There is innovation in the way you gather data and use it to turn a shopper into a buyer.

LAURENT FARACCI

budgets and compelling creative, and wowing consumers into wanting your product just by putting it on television, are long gone.

Consumers today want to be engaged; they don't want to be talked at. They don't want to simply be entertained. They want to make an emotional connection. Marketing has really changed and innovated to reflect a two-way conversation with consumers.

Serrao: Thinking of the consumer experience as the outcome is an important shift in marketing

more iterative these days, with the iPhone 5 and iPad Mini.

Thinking radically about new ways to sell existing products is a great opportunity for innovation. Procter & Gamble's Febreze is a compelling example. Febreze is traditionally a female-centric, household-cleaning product, but P&G observed that men were using it to spray car seats to make them smell better. Without really changing the product, this led to a very different space for the brand, and a much wider portfolio of products.

What is the biggest obstacle to innovation in marketing?

Speichert: One obstacle is getting people to move away from formulas that have been successful in the past. Another challenge is trying to do too much without priorities or focus. Instead of having a list of 10 things that are interesting, we stay focused on just the top three priorities, and driving all of our experimentation against those.

Innovation comes from so many different places — out of the chemistry lab, but also the technology lab. You need to make sure you are leveraging the right technology and connecting that back to the product innovation. At L’Oreal USA, the digital information-technology teams have a dotted line to me, and I work very closely with the chief information officer to drive innovation as an integrated team.

admitting failure. In the past, you had to cross all the t’s and dot the i’s before you could commit to doing anything. That’s changing today.

McDonough: A lot of organizations like to talk about being innovative, but many of them are cautious about pursuing it because they have to live with some failures to create some successes. The organizational culture needs to allow failure, and not punish it.

Sustaining a new product launch after the first year is not easy within the spirits category. In fact, only 36 percent of the spirits industry launches between 2008 and 2010 are still in the market today.

The biggest obstacle is having the confidence to risk failure and not bail out when you have a failure. If you haven’t had failures, then you don’t understand the nuances that create the success. If you never strike out, then obviously you aren’t swinging very hard.

The creative tension between the need to be predictable and the need to respect the ambiguity and be unpredictable can create more growth. That tension, in and of itself, creates a future that we might not be able to imagine. That’s our solution to the inherent dilemma that’s built into this issue.

Harris: We are living in a very risk-averse environment these days. I get that. People are fearful for their jobs, and unfortunately that’s just the environment that we’re in. Until either the economy gets better, or there’s some shift in attitudes and confidence starts to return, today’s “safety first” culture will be an obstacle to innovation.

It seems that an awful lot of people are trying to move forward by looking in the rear-view mirror. I do think the wind will change direction. At some point, people are going to try to stand out and be different. But in the meantime, there’s an awful lot of fast-following going on in the world.

Marketing innovation is about brand storytelling and how you bring that to life.

PETER MCDONOUGH

Faracci: Market research can become both the best and the worst thing for innovation. It can give you insights into your consumer, but it can also kill ideas. You need a good mix between research that tests the potential market for a new idea, while also allowing for breakthrough innovation. This may require using approaches other than classical quantitative or qualitative market research.

The digital world forces you to put in place a culture of learning, testing and sharing both the good and the bad. Today, more than ever before, achieving success requires

Serrao: At Campbell, we are addressing the inherent failure rate by spending a lot of time in a consumer-centered, iterative design process that allows us to learn about the entire proposition as early as possible. If you are not doing that, the failure rate and the expense become obstacles that are very difficult to manage.

Organizations also place a high value on predictability. We want to make that same widget millions of times every day at the same costs with the same quality and expect the same kind of outcome. Innovation can be anathema to that.

Do consumers care as much about innovation as marketers?

Speichert: We’re lucky in beauty because our consumers are very excited about innovation. A lot of our categories are impulse buys, and we know that consumers are very engaged with the innovations we’re launching.

For example, Michelle Phan is a 23-year-old blogger who does how-to videos on makeup. She has a huge following because people are very interested in her tips on how to recreate the look they saw in one of our ads. We are lucky to have this level of involvement and this appetite for innovation.

Faracci: If it's meaningful innovation, it will resonate with consumers immediately, and the word will spread like wildfire. We saw this happen with Lysol Power & Free, a household cleaner, which is in a very mature, low-interest category. When we put Power & Free in the

they are looking for is something different. So, in that sense, I think consumers actually care more about innovation than marketers do, and smart marketers know how to tap into that.

Serrao: Consumers certainly care about the experience they have.

Thinking of the consumer experience as the outcome is an important shift in marketing innovation.

DARREN SERRAO

marketplace, we saw immediate growth because it is an innovative, bleach-free cleaner that offers a healthier way to clean. Its launch followed Lysol's brand re-positioning from just a cleaner to a more health-centric brand. Its success demonstrates the power of innovation from the consumer standpoint and it is improving the equity of the mother brand.

E-tailing is another innovation that proves consumers care. Today, e-tailing is our fastest growing channel. That's growth we wouldn't have achieved otherwise, because it enabled us to reach consumers who were not necessarily shopping in stores.

McDonough: Marketers should only care about innovation if consumers do. Innovation should always be grounded in a consumer insight that taps into an unfulfilled consumer interest or need. Marketers who innovate simply because they can are less successful than those who innovate based on an insight.

The interesting thing in the spirits category is that consumers don't complain about the whiskey or vodka they are drinking. What

They value what's cool, what makes their life easier, or solves a problem.

We're focused on innovation to grow our core business as well as to grow into new businesses. The platforms we've launched with Go Soup and our Skillet Sauces are nice examples of that because we are building on our traditional businesses in innovative ways.

We do see consumers responding in a way that says they do care. But they don't care because we're innovative. They care because we add some measure of value to their lives or change the experience in some way, which they notice and appreciate.

Harris: If you asked consumers, they would probably say they don't care about innovation. But it's that notion that they don't know what they don't know, and if they are presented with innovation that makes their day easier, they embrace it very quickly.

Some examples are microwavable meals, two-in-one shampoo and, again, text messaging. Certain apps today are innovative in that sense.

So, I don't know how much they care about innovation, and

I'm not sure they care as much as marketers do. But when it's presented to them, and if they can quickly see and appreciate the value of it, then they care.

What is the most innovative idea you've been involved with?

Speichert: The reason I decided to join L'Oreal USA after 13 years at Colgate was the ability to create a CMO position from scratch, because it didn't previously exist here.

Historically, we had four divisions that each ran autonomously. We had two goals. One was to create synergies between the different brands, which made a lot of sense in areas such as market research, insights, and media efficiencies.

The second goal was to drive and accelerate innovation, and to think about how today's world is changing in terms of creative, media, and how we are working with our retail partners. We are also thinking about new business models.

It's been almost like launching a big, new product. It's exciting because L'Oreal is now using the US marketing organization as a model and rolling it out in other key markets.

Faracci: The innovation that made me most proud was when we realized that Lysol, a brand that has always been known for surface cleaning, could actually win in "hands." We knew that if we could win in cleaning hands, we'd be uniquely placed to own health, which is what we wanted from a strategic standpoint.

However, "hands" is a very mature and price-driven market. We could



MARC SPEICHERT is chief marketing officer of **L’Oreal USA**, where he is responsible for driving and enhancing innovation through L’Oreal’s four divisions, as well as corporate strategic marketing, media and market intelligence.



LAURENT FARACCI is chief strategy and marketing officer of **Reckitt Benckiser USA**, and has held a variety of posts with the company worldwide since joining it 14 years ago. Previously, he was with Pernod Ricard and Xerox.



DARREN SERRAO is vice president and general manager of innovation and business development for **Campbell Soup Company**, responsible for accelerating innovation across Campbell’s retail businesses and core categories.



PETER MCDONOUGH is president, chief marketing and innovation officer of **Diageo North America**, leading brand marketing, consumer planning and research, digital and relationship marketing and innovation.



MICHAEL HARRIS is president of **Marketing Drive**, a promotion, digital and shopper marketing agency. He can be reached at michael.harris@marketingdrive.com, or (617) 368-6701.

have offered a cheap bottle with a pump, but that would not have been meaningful. So, we started from our equity: We were about stopping the spread of germs. We removed one step of the transmission of germs with a premium and innovative no-touch platform.

This helped moms tremendously in educating kids about washing hands because it made it fun. This

innovation not only was right from a business standpoint, but also helped with the bigger purpose of the brand, which is to help mom keep the family healthy.

McDonough: We repositioned Captain Morgan based on our understanding of how consumer interests were changing. We learned that the humor used to build Captain

often in consumer packaged-goods. We’re using a process that is consumer-centered and designed. We’re spending a lot of time understanding how to elevate the consumer’s experience.

If we get a product as an outcome, great; if we get a service as the outcome, fantastic. But we’re really trying to focus on the experience,

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MICHAEL HARRIS

Morgan’s identity felt shallow and sophomoric to Millennials, and that they wanted something more adventurous and aspirational.

So, we began to tell a new story about Captain Morgan. We deployed a televised archeological dive to look for his ship, while posting Tweets and Facebook posts on our progress. We’re also working with Sundance Films to create a documentary about the search.

We brought a cinematic approach to our commercials, bringing Captain Morgan back as the charismatic leader he was in his day. We also developed a mobile game app. We brought the brand to life by letting consumers see it, live it and play it.

Marketing innovation is about brand storytelling and how you bring that to life. Growth doesn’t necessarily require new products; it just requires stronger consumer engagement.

Serrao: At Campbell, we’ve created agile, cross-functional, self-directed work teams that you don’t see

and making sure that we’re clear about where the consumer gets value versus the points-of-pleasure and the points-of-pain. If we can solve those points-of-pain, then we create points-of-differences.

Harris: We did something interesting with CVS and their photo-processing department. Obviously, digital photography is changing the world quite dramatically. So, we created this app that lets consumers drag any photo from their Facebook page into the app and print it at CVS.

It’s turned out to be a great way for people to stay connected across the country, because they can send the photo to any CVS store and pick it up within the hour.

It’s also intergenerational. A teenager might not see the point in printing out photos, but their parents and grandparents might love to put the photos in picture frames. This helps both generations connect in this new world. It’s an innovation that’s been beneficial to the customer as well as to CVS. ■