

Building an innovation platform

Consumer goods companies typically look to innovation to open new streams of revenue, stay ahead of competitors and justify price increases. But nine out of ten innovations die in the pipeline, and about three-quarters fail after launch. Searching for growth, the temptation is to pump out more and more in hopes of finding a few big winners – often an expensive and ineffective approach.

There is a better and less costly way. It involves screening what goes into the pipeline far more carefully by using innovation “platforms” to generate ideas with higher potential and lower risks of failure. That approach provides parameters for innovation and gives lift – you don’t have to start from scratch each time, but can tee up big-hit innovation that offers “repeatability” across product lines.

It is an approach that car makers and technology firms have used to build multiple models from the same core parts, but that consumer goods makers have only begun to exploit and adapt broadly.

In car manufacturing, a platform may be a new technology – say, a new engine. In consumer products, it is more likely to be a consumer insight that fosters new product innovation including “occasions”, channels and packaging.

Take Danone. In the 1990s, it saw that consumers’ increasing concern for healthy eating – in particular a healthy start to their

day – offered a platform to reposition its yogurt and biscuit products for innovation and growth. Danone identified a new occasion for health-based innovation: breakfast. Traditionally, the firm’s yogurts and biscuits competed in both the snack and dessert categories for the whimsies of mid-day munchers. But breakfast, Danone noted, was an occasion where consumers not only wanted healthy choices, but also exhibited high product loyalty, eating the same thing day after day. Danone innovated its formulas, creating yogurts and yogurt drinks that contained special enzymes to aid digestion (Activia and Actimel). And it developed convenience packaging that combined yogurts with cereals (Light & Fit Crave Control). It repeated the approach with its biscuits line, developing nutritious breakfast biscuits. Growth followed. Launched in 1997, by 2004, Actimel yogurt drinks accounted for 16 per cent of Danone’s yogurt sales in France.

The right innovation platform can lead to a new business. One entrepreneur, who came up through the school of market research at Procter & Gamble, saw huge potential for innovation around the interest teenage boys began to take in personal grooming. The US market included 22 million pre-teens and young teens who had no personal care products made just for them. The

entrepreneur used the insight as a platform to launch OverTime, a business that makes a line of grooming products branded OT, just for boys ages 9 to 16. The platform led to a range of products that iterate on boy-friendly packaging (Pit Defense deodorant, Lid Lock hair gel, and so on).

Companies need to be as rigorous as they can in assessing the potential of their new product portfolios. Many organisations simply add up the revenue potential of the products in their pipeline and assume they have enough innovation to meet their growth goals. When pushed to quantify the net-expected value of the pipeline – after product failure, cannibalisation and competition – the shortfall often comes as a shock.

Developing innovation platforms allows companies to select products from their portfolios that have the best chance of success. To succeed, consumer product companies need to understand the true size of their “innovation gap”, investing in consumer insights to develop platforms, and then making sure those platforms have the right resources to thrive.

Nicolas Bloch is managing partner for Bain & Company Belgium and leader in the firm’s European Consumer Products Practice. **Kara Gruver** is a partner in Boston and leader in the firm’s Consumer Products Practice.