

MARKETING INNOVATION IN FMCG INDUSTRY

Ankita Saxena

**Symbiosis Centre For Management
and Human Resource Development
(SCMHRD)**

What do you understand when somebody mentions to you —Marketing Innovation”. Sure, the term itself is heavy weight and can mean anything from a simple idea that clicks in the marketplace to a well thought out strategy from a team of intellectual people who spend millions in its formation and implementation. Marketing innovation is said to be the elaboration of a new concept or strategy of marketing, different from the existing marketing methods in the firm, therefore not having been used previously, contemplating alterations in design or in the packing of the product, in the distribution and promotion of products, in the price policy, which make it possible you may have realised but there exist certain models in the minds of the marketing gurus on how to go about bringing such an innovation to the fore. These mental models are tools to categorise an event, assess its consequences, and consider appropriate actions (including doing nothing), and to do so rapidly and efficiently. However, observe the pundits, these models may act as blinders for the organisation in the sense that they direct top managers’ attention on certain knowledge, and on certain suggestions regarding how to increase the innovativeness of their company, among other things. In the marketing and strategy literature, this phenomenon and the mental model concept is noticed, but empirical analysis is lacking behind. Nevertheless, to ratify the situation companies from the pharmaceutical and the food & drink industry had been chosen for the research purpose. There is not an iota of doubt with

respect to the fact that the two industries have different reasons and degrees of innovation requirements. Yet the models that have been enlisted form a broad framework for strategies for innovation be it in any industry

A similar logic is the dominant logic concept which is explained as “the way in which managers(in a firm) conceptualize the business and make critical resource allocation decisions”.

Elaborating more on the mental model framework, it consists of interlinkages between “Issues”, “Tasks” and “knowledge”. The term ‘issues’ in the framework express managers’ strategic frame, or scope. Thus, it contains managers’ cognitions about fields of consideration and action of a strategic importance. The arrows linked to ‘issues’ in the figure aim to express that managers’ perceptions about ‘issues’ affect their perceptions about ‘knowledge’ as well as their knowledge management activities, among other things (‘tasks’). Furthermore, the thoughts and ideas that managers have about ‘knowledge’ affect ‘issues’, through the various types and categories of knowledge that they gather and the interpretations they make. Thus, a central feature of the framework is that there exists a constant interaction between different parts (domains of experiences) in managers’ mental models, as a consequence of their involvement in various processes (decisions, information gathering and other management processes). In other words, although a mental model may operate and appear as a tool (a static phenomenon), one has to recognise that mental models are a product of a subjective interpretative process, and that they consist of more or less fuzzy and dynamic assumptions, generalisations and images.

The models were categorised as either “Organisation Oriented Models”, the “Market

Oriented Models” or the –Society Oriented Models”.

Market oriented mindsets

According to the Research & Development Model (RDM), product innovation means, above all, being concerned about linking knowledge about product and process technology with knowledge about key customers’ values and strategies. Furthermore, it means being involved in processes that aim to integrate further these two fields of knowledge. Due to the latter, knowledge about how to manage projects and teams is regarded as central. The RDM also stresses the importance to secure that knowledge about product and process technology is kept up-to-date, and then not only in R&D but also in the marketing department.

The Market Actors Model (MAM) is focused on the generation and dissemination of explicit knowledge about end-users’, resellers’ or hospitals’ decision processes, and of the positioning strategies and immediate actions of competitors. A key managerial task is to develop further a market oriented business culture through the bringing in of market facts and of a marketing vocabulary, and to identify new ways to combat an ever-increasing competition. As regards to product innovation, key tasks concern managing projects dealing with radical new packaging formats and designs and with new brand positioning strategies.

One aspect that sets the Customer Brand Model (CBM) apart from the other two Market Oriented Models’ is that the co-operation between marketing and product development is perceived as being close, continuous and productive. The motive to be engaged with organisational structure issues is to ensure that one’s ideas and

practices reflect the values and the various use situations of end-users. In relation to this, it shall be noted that the model also expresses an eagerness to emancipate oneself from a marketing logic that has impressed knowledge creation and innovation for a long time. However, although the CBM shows up a self-critical stance regarding the existing stock of marketing knowledge’, the model also shows up an inclination to constrain its interpretations.

Organisation Oriented Mindsets

According to the Operations Management Model (OMM), product innovation is carried out in close co-operation between marketing and manufacturing and as a probe and learn process’. Furthermore, the OMM expresses the idea that radical product innovation comes very much from combining existing knowledge about food technology in new ways, or from combining existing food technology with a new packaging technology. Being customer oriented means according to OMM to listen to’ the big retailing organisations’ claims, above all. As implied above, another important source for new product ideas is the packaging industry; an industry to which one has a number of close learning relationships with. A creation of the latter with the big retailing organisations is an issue that stands at the top of the OMM agenda.

A key feature of the Culture Technology Model (CTM) is the notion that product innovation rests on having established a passion for food culture’, and then not only in the department for marketing and for product development. The creation of such culture, or more correctly attitude towards food and food technology, presupposes according to CTM an identification of key values that everyone can understand and relate to. Furthermore, it necessitates the running of educational programmes about food and food

processing technologies to all categories of employees. The middle position of the CTM in Figure 2 is also due to its emphasis on 'product security' and on systems for checking quality. Important knowledge is general quality norms and standards set by the National Food Administration, and so is insight about new and evolving decrees in response to emerging trends and product segments, as low-fat and functional food. The CTM also stresses insight about food fashions and about who exerts an influence in the food fashion system.

The reason for naming the third model Corporate Identity Model (CIM) has to do with its focus on the actual versus the desired identities of brands. According to the CIM, new product development rests on having some common and basic ideas and beliefs about 'what characterises a good and an excellent bread?'. The approach to get an answer to this question is not market analysis, but instead internal discussions to reach an agreement on the meaning of 'excellence' with regard to the look, texture, durability, nutritional content, etc. (other terms that were mentioned besides good and excellence were uniqueness and character). One field of knowledge stemming from external sources that is regarded as important concerns new packaging technologies. In addition, knowledge about the aesthetic dimension of food packaging design is regarded as an emergent and important field. This goes also for knowledge about general cultural trends in the society.

Society Oriented Mindsets

One feature that two of these models share is an emphasis on knowledge about attitudes regarding particular health care problems and their causes (as high blood pressure and cholesterol caused by food consumption, smoking, etc.) among consumers and, above all, among decision

makers in the business and institutional world (insurance companies, employers' associations, public health care committees, parliament, etc.). Another common feature relates to issues that had been in focus in the past, and thus implicitly that a change has taken place. Previously, the focus was on sources for ideas to build up product and brand awareness in the market and, above all, on sources for ideas to 'bring about changes within a number of laws and decrees to open up the market a little more' (cf. CME is the health care industry PTM). This 'abandoned' model relates to a period lasting for about 25 years when the interest of some health care innovations showed up a positive trend among end users, but when the market was highly regulated (the products were available only on a doctor's prescription and/or were not allowed to be sold outside traditional pharmacies). The Political Market Model (PMM) was described as 'the' model until the end of 2001. At this point in time some non-prescriptive products were allowed to be sold in FMCG retailing stores. One of the Society Oriented Models that was identified as 'being in use' has been named the Political Technology Model (PTM) and the reason has to do with its emphasis on knowledge about 'what is happening' in R&D for prescription-only medicine.

According to the Society Identity Model (SIM), the overall issue is 'category growth', compared with previously 'brand growth'. For corporate level marketing, this claim has given rise to an intense search and exploration of new ideas and to the formulation of a new business model for health care over-the-counter products. The latter has to do with that the perspective on strategy has changed from micro (product lines and brands) to macro marketing (health care issues and solutions). In addition to this, the primary unit of exchange has changed (from goods to services) and so has the relationships with authorities, regulatory agencies and end-users. The mode of interaction with these constituencies has changed from 'acting to create transactions to relational exchanges and co-production'. Furthermore,

another view of health care products is under formation: 'from transmitters of values to appliances in value-creation processes'.

These are few of the theories that explain what can spur an innovation within the industry.

While we talk so much about innovation in marketing, it becomes imperative at the same time to take a look at what FMCG companies actually did in the year 2010 to add value.

Launch of products with natural ingredients:

- **Johnson & Johnson** launched the Johnson's Natural baby line in North America, bringing new, affordable natural baby products to moms at mass retail. The brand was developed in response to the growing number of parents, who want natural products for their babies. All products are at least 98 percent natural.
- **Coca Cola** introduced Minute Maid Kids Tropical in Tunisia, with a focus on natural ingredients. It is fortified with vitamins and made from the juice of five fruits: orange, pineapple, apple, peach and mango.
- **L'Oréal** launched its first certified organic anti-wrinkle skincare, Bio Active; designed using an eco-responsible approach at each stage of its development. The products contain 95% ingredients of natural origin
- **Estée Lauder** launched new products in China positioned around the power of the pomegranate, traditionally known in China

for its purifying properties and for providing skin the benefit of healthy looking radiance.

- **Colgate** launched Natura Verde, a cross-category line of home care products, containing ingredients of natural origin that is winning consumers across Europe.

Product introductions with focus on health & wellness:

- **PepsiCo** launched versions of Cheetos and Fandangos in Brazil made with heart-healthier sunflower oil, and expect to incorporate it into other products throughout the world.
- **Coca Cola** launched Minute Maid NutriBoost in Vietnam (locally known as Minute Maid Nutri Ngon- Khoe). This great-tasting dairy and juice drink is fortified with essential nutrients and is primarily targeted at young adults who enjoy an active and healthy lifestyle.

Environment friendly products launch:

- **LVMH**, in response to the growing consumer demand for products that are socially and environmentally responsible, launched pureDKNY, their first fragrance created on a platform of sustainability. With the launch of pureDKNY, the brand successfully created a new space in fragrance—scent with a conscience.”
- **LVMH**, in response to the growing consumer demand for products that are socially and environmentally responsible, launched pureDKNY, their first fragrance

created on a platform of sustainability. With the launch of pureDKNY, the brand successfully created a new space in fragrance—scent with a conscience.”

- **Coca Cola** created the 111 Navy Chair, a result of their partnership with the furniture manufacturer Emeco, by combining 111 recycled PET plastic bottles and other materials, including pigment and glass fiber, for strength. This innovative product found general acceptance amongst the environmentally conscious consumers.

- **Pepsico** developed SoBe Lifewater Zero Calorie with an all-natural, zero-calorie sweetener which was a direct result of R&D investments in sweetener technologies, next-generation processing and packaging and nutrition products
- **Beiersdorf AG**, improving its understanding of the biological processes that take place in skin launched the first Beiersdorf products containing Gluco-glycerol which stimulates the formation of new aquaporin water channels responsible for the water transport between cells. Beiersdorf also produced groundbreaking research results in the relatively new field of chronobiology, which form the basis for the development of specific deodorants for different regions

Gender specific products launch:

- **Procter & Gamble** launched a complete line of Gillette male grooming solutions in Brazil, and are now planning to expand in several Latin American countries.
- **Unilever** launched Dove Men Care, a bold move into the men's personal grooming category, in over 30 countries in 2010
- **L'Oréal** decided to extend its brands into new product categories, such as men's skincare and deodorants, to broaden their target consumer base and generate additional growth. This prompted several product launches under their two men's ranges—Garnier Men and Men Expert by L'Oréal Paris.

While these were some of the innovative ways of marketing which were set globally, there were few others which were started from India and then adopted overseas. Such examples are those of Reverse Innovation. It is about innovating products and solutions primarily in emerging markets with an aim to serve both developing and developed nations. Examples are galore around us.

New products developed through R&D:

- **Nestle** upgraded the entire Infant cereal portfolio in the area of Immune Protection through the addition of Bifidus BL, a proprietary Branded Active Benefit developed in the Nestlé Research Center

- **Skin lightening products:** Markets in other countries like Singapore have found enthusiastic users of skin lightening products like Garnier Men Power Light. The product was originally created by cosmetics maker L'Oréal and was suited to the Indian market. The trend was started by Hindustan Unilever Limited (HUL) with its trend setting product Fair and Lovely for the Indian women. Now the skin lightening creams have flushed markets in over 30 countries which include Africa and the Middle East. It was in India that the scientists discovered the skin lightening action of niacinamide way back

in 1972 and HUL launched Fair & Lovely in 1978.

- **Water purifier** : This product named "Pureit" by Hindustan Unilever Limited (HUL) and positioned as a life saver has won customers in Indonesia. Its cheapest variant in India costs Rs.1000. The variants of this purifier are also sold in Mexico and Bangladesh.
- **Snacks with Indian Tastes** : Snacks which suit Indian taste buds have also found lovers in westerners. While Kurkure grabs a share of not only the Indian immigrant market in US but also the others, Maggi Masala spices up the lives of pensioners and migrants in Europe. The evidence of this can be found in Nestle's strategy of distinguishing between emerging markets and emerging consumers, the latter it describes a billion-plus upwardly mobile population about to make their first buys in the branded food category in the next few years. Another player in the global market is the Masala Tea from Nestle the roots of which rest with the Indian market.
- **Innovation centres based in India:** Proof of reverse innovation and the importance India plays in the Research and Developments in the Indian FMCG space can be deduced from the fact that increasingly MNCs are leveraging India as an 'innovation hub'. A few months back, Nestlé announced the setting up of an R&D (research and development) centre in India at Manesar, close to its headquarters in Gurgaon, which is likely to be operational by 2012. MNCs are leveraging India as an 'innovation hub'. A few months back, Nestlé announced the setting up of an R&D (research and development) centre in India at Manesar, close to its headquarters in Gurgaon, which is likely to be operational by 2012.

Similarly L'Oreal has a strategy of using reverse innovation in emerging markets to expand its revenue share. The company plans to develop beauty products locally for emerging markets and eventually modify them for the international markets, through a new research and innovation centre in India. The company calls this trend as "Indo-ovation."

- **EMI in retail:** Levi Strauss adopted the very popular EMI (equated monthly instalment) concept for its 'pay as you wear' model to lure young customers to buy high-end denim. The concept of smaller packaging revolution is a great example of reverse innovation which can be attributed to India.

As time progresses more and more industries are blurring the lines that used to define their innovation initiatives. In fact more and more pharma companies are emphasising their marketing strategies while more and more FMCG companies nowadays are banking on R&D. Few such examples in the FMCG sector are being provided :

- **Nestle**, in September 2010 announced two initiatives: the creation of Nestlé Health Science, incorporating the existing global CHF 1.7 billion Nestlé HealthCare Nutrition business; and the creation of the Nestlé Institute of Health Sciences, which will conduct research in relevant areas of biomedical science to translate this knowledge into nutritional strategies to improve health and longevity
- **Kraft Foods** inaugurated the recently-completed European Kraft Foods Gum and Candy Research & Development (R&D) Center in Eysins, Switzerland. The state-of-the-art facility will focus on innovation and new product development

for many of Europe's -- and the world's -- most beloved confectionery brands, including the world's leading gum brand TRIDENT and the world's leading candy brand Halls, as well as other brands

- **Archer Daniels Midland**, opened its Advantage Centre in Singapore which supports customers with de Zaan cocoa product solutions through seminars, demonstrations and collaborative product development
- **Avon**, in 2010, invested in R&D facility in Shanghai, China to increase its ability to develop products to better meet Asian consumers' needs
- **GlaxoSmithKline**, in order to accelerate research and innovation in key emerging markets like China and India, opened an Oral Healthcare Research Centre in Gurgaon, India, and an Innovation Centre in Beijing, China.

References:

- Tollin (2008), Mindsets in Marketing for Product Innovation: An Explorative Analysis of Chief Marketing Executives' Ideas and Beliefs about How to Increase Their Firms' Innovation Capability, Journal of Strategic Marketing Vol. 16, No. 5, December 2008 (363-390) Denmark: Routledge
- Annual Reports for the year 2009-2010
- Moreira and Silva, Marketing Innovation and Innovative Capability of Marketing: Study of Portuguese Firms (Source : www.ebscohost.com)
- Madhavan, Made in India, for the World, Business Today (May 30 2010), Innovation Special-Reverse innovation