



# MARKETERS AS INNOVATORS

Anticipating the needs of your customers

By Professor Kamran Kashani - January 2009

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## Is your marketing innovative enough to anticipate the needs of your customers tomorrow and drive your market growth?

Professor Kamran Kashani shares his findings about the barriers preventing innovation in large established companies. In his research, he found a direct relationship between innovation and brand growth. Yet, it also revealed that companies often struggle with innovation and find it difficult to promote internally.

## Is marketing a pro-active driver of innovation in your company? If not, what's holding it back?

It could be that in your company there is:

- risk averse corporate culture
- changing management/changing priorities: no long term vision as guide
- marketing being assigned only a promotional function
- pressure to validate innovation when it's hard to put numbers around uncertainties
- limitations of marketing research tools: going beyond what the consumer tells you
- lack of managerial courage
- pressure from low-cost competitors makes innovation appear as "costly"
- trapped by own past success: complacency.

## So, how do innovations succeed in large, well-established companies?

We took an in-depth look inside Nestlé, a company where innovation is a strategic pillar. Our survey included several case studies on successful innovations.

### Dreyer's Slow Churned Ice Cream

Dreyer's Ice Cream Company, Nestlé's wholly owned subsidiary in the US, renovated its existing and successful ice cream brand by investing in an innovative production process resulting in an improved product with added consumer benefits. The new improved "Slow

Churned” brand became a runaway success and resulted in a huge increase in revenues and market share for the company. The marketing team’s calculated “gamble” paid off, making the brand a market leader in the low fat, light ice cream segment.

### Nescafé Café a la Carte

Nestlé turned around its stagnant soluble coffee business in one of its key markets. The marketing team replicated a successful product launch from another market, armed with local consumer research. Once they achieved success here, they created a new brand which was perceived to be classier because of an innovative packaging solution. The local marketing team finally overcame the top management’s tough resistance by confidently putting their strategy forward and not taking “no” for an answer. Small step innovations in marketing can lead to bigger impact as a result of increased market shares and profitability.

### Nestlé Vera

Nestlé Waters in Italy re-energized a declining business by making a series of small step marketing innovations in its flagship brand Acqua Vera. The marketing team changed the pricing strategy from frequent discounting to an “everyday low price” policy. This led to resistance within and outside the organization. On one hand the management at the headquarters had to be convinced about future investments in a losing brand and on the other, existing retailers and distributors had to agree with the new pricing strategy in order for the brand to succeed. These steps while they seemed simple had to be achieved through repeated negotiations with retailers, who finally bought in to the team’s vision.

### The Nido Nutrition System (NNS)

Nestlé re-energized, re-positioned and renovated its brand of baby food NIDO. The re-launch consisted of a broader product offering under the brand umbrella, in addition to innovative communication and packaging. The marketing team rolled out this value-added product in different markets, sharing learnings across markets and going back to the drawing board when they were confronted with failure. These innovations finally led to a significant impact in the profitability of the brand.

### Nestlé Branded Active Ingredients

Nestlé developed its strategy of marketing key functional ingredients in some of its leading food brands across different markets. The underlying thought behind this idea was to build brand sustainability and translate complex scientific arguments into simple messages that consumers could understand. This approach was similar to the ingredient marketing strategy of non-food brands such as Gore-Tex, Intel, etc. After overcoming internal doubts and resistance, the project team went on to develop one of the most innovative marketing

strategies for the food business and helped some of Nestlé's existing brands become unrivalled market leaders in their categories.

### Project Bullet

Nestlé Infant Nutrition revitalized its global infant formula business. It deals with strategic issues like renovating existing and aging brands of the company and also bringing in new marketing innovations to an otherwise stagnant business. The marketing team unified the company's infant formula product portfolios across markets while bringing consistency in marketing and sales practices.

### **So, what's the secret?**

Our research showed us:

- have a long term strategy/objectives (e.g. to be the "best" in the business). This can be a consumer-driven strategy and one which justifies investments in new products.
- establish credibility for the innovation with recent "success stories" and show the upside of the risk factor
- get top management support
- reward the innovators, and
- validate the as yet-unproven idea in one pilot market before making the big investments.

Professor Kamran Kashani is Program Director of the Strategic Marketing in Action (SMA) and teaches on the Orchestrating Winning Performance (OWP) program.

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