

INSTILLING AN INNOVATIVE CULTURE

Innovation: it's arguably the buzzword of the 21st century for brewers, as a sometimes too-traditional industry grapples with the challenges posed by other alcoholic (and non-alcoholic) drinks. *David Quain* and *Paul Hughes* are off to the races, arguing that innovation can be treated almost as much as any other industrial process

I've never quite had the courage to play 'buzzword bingo' in any place apart from my head. Sitting in a meeting with a preformed bingo card, capturing the buzzwords and – on the completion of a row – hollering 'bingo' struck me as being somewhat career limiting.

It would have been fun, though. What with 'intellectual capital', 'codified knowledge', 'value add', 'blamestorming' (a new one on me) and, of course, 'creativity' and 'innovation' up there with the best (or is it the worse) of them.

But to badly paraphrase Mark Antony, "we have come to praise innovation not to bury it!" Our ambition in this article is to debunk creativity and innovation as buzzwords and demonstrate the benefits they can bring to companies, however big or small.

After all, technical innovation has played a key part in the evolution and scale-up of brewing in its widest sense. However, until recently this has been badged as 'development', 'improvement', 'research' or 'R&D'. Similarly coming up with ideas has been an element of the process rather than 'creativity'.

But things inevitably change. Innovation and, to a lesser extent, creativity have been promoted to the top table of the global brewing corporate world. With few exceptions innovation can now be found in the various visions, strategies, missions and values.

Given this, it's no surprise that 'innovation' is now to be found in job titles, departments, teams and meetings. Innovation has become cross functional, rolling in marketing and technical skills and capabilities. Further, there is a more fundamentalist approach to innovation in terms of broad based skills and understanding, something a little deeper, more embedded and more cultural.

What has changed? Is 'innovation' only on the agenda of the big players or has the industry as a whole picked up on the theme and started applying and adapting it to smaller, local needs? Is it piggybacking, or is it something more fundamental?

A difficult definition

A little bit like 'quality', innovation is difficult to define. The problem is not the lack of definitions but too many. If you've the time and the stamina, trawl the Internet with the search engine of your choice, or check out Wikipedia. To us, many are incomprehensible, rambling and, frankly, jam-packed with buzzwords and clichés!

Being simple souls, we like the following as they are short, succinct and straight forward:

- Making things better, making better things
- Creating new stuff that adds value
- The successful exploitation of new ideas

These definitions are drawn from a mixed bag of sources. Perhaps surprisingly, the last stems from the UK government (the snappily titled Department for Business, Enterprise and Regulatory Reform). Although one definition is not enough, the sum of the parts captures the key elements of innovation.

We kick off with ideas and their exploitation and development. The 'what' of innovation is all too often assumed in the brewing world to be product (or package) development? In 'stuff' and 'things' innovation becomes appropriately non-prescriptive and can be anything where it adds value or makes things 'better'.

One thing missing from all three definitions is scale. Innovation is often associated with stuff that is big and expensive but – although lower key – is equally appropriate to the small



and cheap! The critical thing is generating value, financial or otherwise.

To make 'stuff and things' real it is useful to review the categories used by the UK's Department of Trade and Industry when measuring innovation in Europe. Innovation impacts on goods and services, production capacity and flexibility, regulations and standards, labour costs, the environment and materials and energy.

Further, 'innovation active enterprises' are more likely to implement changed corporate strategies, use advanced management techniques, change organisational structure or marketing concepts and strategies. In other words, innovation is much, much more than product development. In many companies and organisations it has made, and is making, a difference across the board.

Horses for courses

One of the trickier challenges is ensuring that innovation is 'sized' correctly. By way of example, it comes as no surprise that innovation (as measured by 'R&D' extracted from company accounts) represents 14.3% of sales in the UK pharmaceutical & biotechnology sector and that aerospace and automobiles are respectively 8.4 and 4.6%. Eyebrows might rise that the 'R&D intensity' for industrial engineering is 1.4% and for mobile telecommunications only 0.5%. Beverages (manufacturers of spirits, beers and soft drinks) barely trouble the scorer at 0.1%, which on reflection is perhaps not a great surprise given unit cost and 'value add' (bingo!) of this sector's products.

As we used to say when looking at consumer research that was less than black and white, 0.1% is 'directional'. After all, this figure was gleaned from a handful of large companies and doubtless there are those that invest significantly more than 0.1% of their sales in R&D and, equally, some that invest less. However, there is a case to be made that innovation/R&D in beverages in general and beer in particular is receiving more investment these days than hitherto.

Process innovation, of course, has a long track record in brewing. The drivers for this arguably remain unchanged in enhanced efficiency, cost reduction, capacity expansion and improved more consistent quality. Whilst some of this development remains in-house through process improvement, new and novel platform technologies continue to be created and slowly but surely find application within the brewing world.

In recent years process innovations include direct steam injection wort boiling, the applica-

tion of radio frequency impedance to measure and control live pitching yeast, kieselguhr-free cross flow filtration and aerobic yeast propagators. Allied to this are innovations such as ever more sophisticated and integrated control systems, automation and underpinning benchmarking through world class and lean manufacturing.

Although process innovation will doubtless continue and conceivably become more radical, it remains inward looking with little line of sight to the consumer. Increasingly though, innovation capex is increasingly being spent on ways and means to entice the consumer to purchase your brand rather than a competitors.

Meeting consumer needs

Focussing innovation on the consumer is not new to brewing. What has changed is the gusto with which innovation is being thrown at beer. Although partly driven by 'we have the technology', the key driver is satisfying consumer needs, known or unknown! To do this requires multi-faceted insight into consumers and their behaviour. Consumer insight is a rich seam to mine. The data capture, complexity, analysis, interpretation and prediction require substantial 'qualified' resource. However, this is only part of the story. Similar insight has to be generated about the market and its dynamics, trends and foresight.

Innovation	Consumer benefit	Smallpack, Draught or Both
Low alcohol (2% abv) and no alcohol	Well-being, occasionality, choice	Both
New products – imported, new flavours, raw materials	Experience, occasionality, choice	Both
Extra cold/super chilled lagers at 2-4°C	Quality – cold draught lager	Draught
Nucleating glasses	Quality – generation and maintenance of foam head of draught beer	Both
Branded glassware	Brand identity, communication, quality	Both
Plastic (branded) glassware	Occasionality	Both
Ergonomic 'grip' glassware	Convenience and experience	Both
Condensing/frozen fonts	Communication – consumers 'drink with their eyes', reinforcing the 'cold' message	Draught
Widget	Quality – draught beer experience at home	Smallpack
Reduced isohumulones	Presentation - draught beer (foam and cling), packaging in flint bottles	Both
Packaging formats – container size and number	Convenience and occasionality	Smallpack
PET bottles	Occasionality	Smallpack
Wide mouth cans	Easier drinking	Smallpack
Fridge packs	Convenience and quality – facilitating fridge storage	Smallpack
Thermochromic inks	Quality – communication that the can or bottle is at the correct temperature for consumption	Smallpack
At home draught beer dispense solutions	Quality and convenience - draught beer experience at home	Draught
Ultrasonic 'surger'	Quality – draught beer experience at home and small on-trade accounts	Both

Recent examples of consumer-facing innovation

Having insight into what consumers are thinking and doing, coupled with what is happening in the market, is only the beginning. Adopting the 'creating new stuff that adds value' definition for innovation requires that the insights provide the stimulus for creative thinking. The end-game being *stuff* which consumers prefer to buy to other *stuff* that lacks the innovation.

Clearly how much insight a company invests depends very much on the company! Size, scale and reach is important as is the position on being 'first to market' with innovation, a 'fast follower' or simply selecting which opportunity to evaluate and progress. Although the market 'leadership' will invest in insight, smaller companies will piggyback their innovation activity selectively around what they see the bigger companies do.

Drivers and benefits

It's both interesting and telling that beer innovation is at its most active in mature markets that are either in decline or static. The UK is a case in point. A recent press release from the British Beer and Pub Association notes that the volume of beer sold through pubs is now at the lowest level since the Great Depression of the 1930s and that overall beer sales through all channels are at their lowest level since 1969.

Another market, the United States, where volumes are broadly flat, is experiencing growth in imported beers and in craft beers. In response, both markets are exploring innovation as a means to grow market share and to grow the 'share of throat' of beer.

In the UK, innovation has impacted equally on draught and smallpack products. Draught beer volumes in the on-trade are in long-term decline, margins are down and, with the growth of the pub operating companies, large brewers have no pubs whereas regional and family brewers do. To add further complexity to innovation, ownership of dispense hardware remains in the hands of the lead brewer in the account but brand-specific technical innovations are owned and, critically, paid for by the brand owner.

Given the size of the on-trade universe (about 90,000 outlets) and breakdown (pubs, restaurants, hotels, etc), innovation is a mighty expensive undertaking. Not surprisingly, innovation in the on-trade tends to be selective to a type of account, retailer group or geography. Similarly, smallpack innovation can be customer specific or more broad-based. Although in growth, small-

pack innovation is all about adding value and benefit to the consumer.

The drivers for innovation in beer in the UK are all about sustainable benefit to the consumer. Novelty innovations are increasingly rare as they are not sustainable or cost effective. The benefits need to be tangible (see table page 21). Many deliver enhancement or assurance of quality that regrettably can be found wanting in the on-trade. Some are designed to satisfy consumer needs and choice for different occasions whereas others provide functional benefits such as convenience. Interestingly, a long term need that continues to generate innovation is the use of technology to provide the (good) draught beer experience at home.

In the United States, there is much less in the way of on-trade innovation as draught beer is relatively small and brewers are less able to influence the retail outlet. In the case of smallpack, some of the consumer-facing innovations listed here have also found a home in North America.

Innovation here is more about product development to meet changing consumer needs. What these are or what is coming over the horizon can be found in Miller Brewing Company's 'magazine for beer people', *Brew*, which has recently identified 'six of the most powerful trends shaping all consumer goods – including beer'. They are:

- *Premiumization* – trading up to high end brands
- *Latinization* – reflecting the growth of Latin American cuisine and culture
- *Fragmentation* – an 82% increase in beer and flavoured malt beverage brands in supermarkets between 1997 and 2007
- *Occasionization* – beers that fit with the location, the setting, the time of day (or night) or the season,
- *Feminization* – woman are increasingly a key influence in beer trends and choices
- *Millennialization* – 21-28 year olds who are the 'millennial generation' who are experimental and are seeking interesting brands

To provide a flavour of how these insights have been acted upon, *premiumization* has resulted in 'worth more' premium brands, craft beers and imports. *Latinization* has resulted in a number of Mexican chelada-type beers together with imported South American brands. Finally, *feminization* is reflected in the growth of 'white' beers and fruit flavoured malt beverages.

Innovation in a nutshell

Innovation comes from many places. Again with the caveats of size and scale, innovation can result from in-house activity ranging from informal to full blown programmes. Increasingly, though, innovation comes from suppliers who recognise that its provision can be a competitive weapon.

Wherever innovation originates it is frequently better innovation when it is generated from a disciplined process. To some this is counter intuitive!

Like continuous improvement, there are all sorts of process models for innovation which fundamentally do the same thing but using language/buzzwords that rarely clarify and frequently confuse. In essence, whether it's a straight line, a circle or a box, innovation processes can be reduced to the following simple 'equation':

insight + ideas + implementation = innovation

The importance of insight was touched on earlier. Suffice to say that the wrong insight will result in a wrong innovation! Conversely, the right insight results in the right innovation that delivers benefit to the consumer and value to the brand/



company. Insights need to be validated, tested and generally kicked about to ensure the innovation process is robustly anchored.

Ideas are tangible 'things you can do'. The use of creativity to generate new and better ideas is well understood. It is a rare thing for the initial 'front of mind' ideas not to be improved upon by creative work. It is important to understand that creativity is work!

Regrettably, the image of reclining creatives lounging on bean bags 'wasting time' brainstorming has not helped the cause of creativity and innovation. Yes the environment is important and stimulus certainly helps but the behaviour and approach of the participants is critical. Ideas can be fragile and hard won. Behaviours need to be supportive, building and non-judgemental. Bravery is to be encouraged as is succinctness and, yes, it should be fun too!

There are realms of creative tools designed to generate the unexpected and their use is to be encouraged. As with insight, what you are seeking to be creative about requires definition and testing robustly – garbage in, garbage out!

Finally, such sessions should be facilitated to ensure capture and development of ideas and, particularly, to encourage and support the less voluble participants (and in turn manage those who hog the limelight). Of course, it is worth

emphasizing that generating ideas does not depend exclusively on set piece creative sessions. We are all creative (think about it!) and are more than capable in running 'sessions' in our head to resolve problems or generate opportunities.

The final step – implementation – is where the fruits of your labour are realised. OK, as you progress along the implementation path some ideas and concepts inevitably fall by the wayside, never to be seen again, or to be reborn when circumstances are more supportive or the needs are greater. The scale and timeline of implementation will range from short to long depending on the scale, complexity, number of stakeholders and cost. On occasion, innovation can be fast tracked but – as resources are usually tight – this will slow down other projects. Typically consumer facing innovation is a longer, more complex, journey than smaller within company innovation that is more easily implemented.

Implementation of big innovation projects in large companies is usually managed through the various 'gates' by cross functional teams using processes like stage gate (www.stage-gate.com). Such approaches are designed to challenge, check, manage the risks, anticipate the benefits and to facilitate development and implementation of the innovation. Importantly, knowledge

management underpins these processes which ensure that the knowledge and learnings are retained and, ideally, learnt from!

Innovation rarely turns out as predicted, being a roaring success, a disappointment or all stations in between. Whatever the outcome, the final piece in the jigsaw is to review performance from end to end. There are always learnings to be captured – what went well, not so well and what was, frankly, a disaster! Good or bad, these insights need to be digested, reviewed and recycled so that the innovation process is continuously improved.

So that's it, a stroll through innovation in the brewing industry. Hopefully innovation is not (now) a buzzword and can be viewed as offering a route to deliver real benefit and meet new opportunities. Innovation can be small or big, a tool to be explored, or a part of a wider cultural change that seeks to embed it. Innovation: truly horses for courses. 

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