

Innovation just isn't what it used to be.

# Better Things

## What are you trying to accomplish with innovation?

**Claudia Poccia:** With new products, we constantly challenge ourselves to look outside of the cosmetic industry into the broader landscape of change. We try to leverage inspiration across the convergence of media, technology and other product forms.

We also engage with our customer or representative because, for the most part, she is one and the same. That's why bringing our product to her, where she lives, and where she's most receptive to receiving our message, is so important.

We bring direct selling into the digital age through social media and other nascent technologies. We're going to her in a place where she's open to receiving our message and engaging with our brand.

**Jevin Eagle:** At Staples, the goal of innovation is to provide customers with value, product or an experience that solves a problem or helps make their lives easier. That's the link between the customer, the innovation, Staples and its shareholders.

For example, we offer free delivery that, in almost all cases, arrives the next day. That would be an experience innovation. A service innovation is our free PC tune-

up. Every single Staples store in the United States has easy-tech technicians who can provide a free tune-up of your PC.

A product innovation is our Mailmate Shredder. Our customers were opening their mail in their kitchens but their shredders were in their offices. So, we made a shredder that's just perfect for the kitchen. There are many more examples of solving problems for customers embedded in our culture.

always been that it's not innovative if it's a solution in search of a problem. The goal of innovation is really to ferret out a keen insight, to deliver something that is needed, wanted or lacking.

The word "innovation" clearly is overused. So many people use it as "give me something different to save me for six months" or "something different for the sake of being different," so that I can say that I have fostered innovation.

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CLAUDIA POCCIA

**Randy Carlson:** The goal of innovation should be to bring new ways to delight consumers that are relevant for them. For Diageo, and a lot of mature businesses, maybe that's more "renovation" than "innovation," but it's really about breathing new life into our brands.

Some people look at innovation as inventing the un-invented. But our obligation, as companies, is to deliver business results. Inventing the un-invented is a nice, long-term aspiration, but innovation had better create revenues and profits.

**Jim Porçarelli:** My mantra has

But innovation really is about paying attention and looking for sometimes the simplest things that solve the issue in a way that no one else has done before.

## How do you create a culture of innovation?

**Poccia:** Talent is the key ingredient to creating a culture of innovation. If you have a team of forward-thinking individuals who can look at things with a fresh, new lens, it creates an environment that fosters innovation throughout

### A ROUNDTABLE FEATURING

**Claudia Poccia**  
Avon mark

**Jevin Eagle**  
Staples

**Randy Carlson**  
Diageo

**Jim Porçarelli**  
Active International

the company. High emotional intelligence is also paramount.

You need people with great, cutting-edge ideas, but equally important is a team that has the ability to initiate and execute those ideas in a strategic manner. It's important to build a team of creative thinkers who reach for the stars, but also keep one foot firmly planted on the ground so that everything aligns with the business objective.

**Eagle:** We not only have a market research department at Staples, but also groups of people who are not exactly in "market research," but are constantly doing, testing and trying new things. For example, we have what we call our "usability group." Their job is to observe how customers use things, either online or in person.

At any given time, we have dozens of tests going on of either new products, new ways to display products or to develop offers. The culture when we go out into the field is the culture of listening, whereas in traditional retail it's a culture of telling. We have tremendous respect and awe for our store managers, and when they give us ideas we take voracious notes.

**Carlson:** Innovation really starts at the top. There may be a heretic who's trying to push innovations uphill, but heretics have a very low probability of getting anything done without leadership support.

Second, you need people who believe in possibilities and are willing to beat their heads against the wall. With innovation, you are going to hear "no" a lot. You have to have people who are willing to work in that kind of environment and aren't brought down by it.

## *Proven results are what get the organization gelled around innovation.*

RANDY CARLSON

You also need an element of pragmatism. Rather than just thinking about an idea, you need to go and do it and focus on results. Otherwise, your innovation is not going to have a long life. Proven results are what get the organization gelled around innovation.

**Porçarelli:** You have to give people honest-to-goodness permission to fail. If people aren't afraid of making mistakes, they are going to come up with more and more creative and interesting ideas.

You need people who say things that you hadn't thought of yourself. If people are just repeating everything I already know, they are not right for my team. Leaders need to allow themselves to be challenged by their teams.

Managers have a responsibility whenever someone comes to them with an idea — no matter how big or how small — to sit with them and help tweak the idea until it works. It's imperative to continue the conversation because it can foster other ideas in other arenas that will solve bigger problems.

### **How should consumers be involved in the innovation process?**

**Poccia:** Bonding over beauty and fashion fosters community and brings young women together. Because direct selling is inherently participatory, it's really natural for us to engage with our customers and representatives to create a co-branding experience.

In fact, she demands it. She inspires us. She co-creates with us because we're both a brand and a channel. So, whenever we ideate a product, our favorite expression here is, "let's take it to the Girl Lab." That means going to our consumer and our representative and engaging her in the ideation and decision-making process up front.

This co-creation partnership enables us to bring forth products that allow for our consumers' and representatives' self-expression. So, she's got a more immersive brand experience at a higher level of emotional engagement with us.

**Eagle:** I have a strong point-of-view on this. We used to run a contest at Staples called Invention Quest, where we asked customers and employees to create new product ideas. I'm so glad we did this — I was one of the judges — but I don't think it was the most effective way to get insights because customers are not product developers.

A better way to get customers engaged is for us to listen to them. How do you live your life? How do you work? How do you play? How do you use products today? That's where the much bigger ideas come from. We listen, observe, and take it from there.

**Carlson:** For us, the involvement is three-tier, including consumers, customers and distributors. If you have a brokered sales organization, you should include them, as well. It's critical.

I personally find that the trade — including distributors and sales

organizations — has a kind of “fingertip feel” for what’s right or wrong with your product offerings. It’s a great thing to get that kind of feedback sooner than later.

On the other hand, your customers, your consumers or the trade are not going to come to you with the next, big breakthrough idea. That’s just not going to happen. So, hopefully that’s where the innovator’s thinking comes in. It’s really up to the innovator to identify the problem being solved, and how to solve it.

**Porçarelli:** First of all, their involvement is about the due diligence of the marketer. There’s so much information and data available to us today, but you need to understand the attitudes, concerns and buying behaviors that are intrinsic to your consumers. So, don’t be afraid to preview ideas with your audience.

Procter & Gamble had a wonderful formula where every single brand

## What is the most innovative idea you’ve seen?

**Poccia:** True innovators create products or services that customers can personalize to meet their needs. I find TiVo fascinating. For decades, all of us were happy to view pre-determined and scheduled programming and then out of the blue comes TiVo.

Now we have the power to decide when we want to watch this programming. This TV-by-appointment culture has created a seismic shift in consumers.

Something that we’ve done at *mark* is a franchise called Hook Ups. Hook Ups are dual ended, customizable makeup products for eyes, lips and cheeks. We provide a wide assortment of textures, tones and product forms. The consumer can put together over 2,000 combinations and make it their own. That has

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had to set aside a little bit of its budget every year for testing—even though they knew that 80 percent of the results may not give them an insight worth acting on. But the other 20 percent was invaluable. As a result, they had the greatest insight into the package-goods consumer.

While consumers generally don’t really know what they *do* want, they pretty much know what they *don’t* want. By knowing what to eliminate, it’s often a lot easier to figure out what to offer.

really gotten the industry’s attention because it puts creativity in the hands of the consumer.

**Eagle:** With Amazon, one innovation was giving away shipping and tying that to extremely low prices. Most business people would have said “no” to that. Another innovation was buying back used books and then reselling them, which GameStop does with games.

At Walmart, the innovation was Sam Walton’s concept of

taking any money you make and applying it to lower prices, and then focusing everything in your culture on leveraging scale to get lower prices. I think Starbucks was the first to not require a signature at the register when you use your credit card. That was brilliant.

I do think that Staples’ ink recycling program is breathtaking. We give three dollars back for every cartridge you bring back to recycle. This meets the customer’s need for doing something good for the environment, while also giving them money for it. We’re going to recycle more than 50 million ink jet cartridges this year.

**Carlson:** My favorite innovator right now is Tesla Motors. What Tesla has done is make a completely electric car using cell-phone battery technology. It’s the same kind of battery you have in your Blackberry, just stacked up.

They make a sports car that’s super light, looks a lot like the Lotus, and can go from zero to 60 mph in 3.9 seconds, with a 250-mile range. It costs \$100,000, but it is twice as efficient as a Prius. They are also making a 4-door sedan for 2011 delivery.

What Tesla has done is turn the efficiency issue on its ear. They’re taking this notion of a car you want to be in and the right thing to be doing for the world, and put them together. And they’ve actually executed it. It’s brilliant!

**Porçarelli:** There’s a product called New Energy Solutions—it’s this pad that you can put on your dresser, and it charges all of your electronic devices without having to plug them in. That really adds to your quality-of-life because they’ve solved an everyday problem.

In a very different realm, there's a technology in radiology called micro-bubbles that are injected into the bloodstream to take better "pictures" of a specific organ. The idea is that if you inject the bubbles with chemotherapy, you might be able to treat cancer more effectively. It's still being tested, but could have a huge impact.

### How do you measure the return on innovation?

**Poccia:** R.O.I., at *mark*, means "Return On Innovation." It's a metric for success that has never been more critical to the bottom line. We measure it through our most important asset, and that's the *mark* representative. That's because not only is she our consumer, but she's also our retailer.

So, for us, the innovation imperative is to deliver an entrepreneurial platform to this representative

for us—if not at the moment, then over the life of customer.

There are plenty of things we do where we're not maximizing profits on a transaction basis, but we are on a customer basis. That's the key.

For example, during back-to-school season, we offered free backpacks—100 percent back in Staples rewards on any backpack.

Why did we do that? Not because we thought we were going to make money that day. The innovation is in how we create value for customers. It all comes back to our customer economics.

**Carlson:** At Diageo, we have business performance metrics that are attributed to innovation. In fact, in our annual report, half of our growth last year came from innovation. It's a real number. There's real bookkeeping and accounting associated with innovation that's done both in aggregate and individually.

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that reinvents direct selling for them, and allows them to play in a digital space through their social networking platform. As her engagement and connection through these platforms rises, so does her sales productivity. So, it generates organic growth.

**Eagle:** Innovation is all about the notion that if we do things for our customers that meet their needs, they will reward us. Our underlying assumption is that doing good things for customers is also good

In a broader context, your return on innovation requires short-term metrics in addition to the long-term investments, and you have to roll them up together. If you start doing activity-based costing on each individual innovation, there will be more things you kill than you launch. When that happens, then somebody else invents the future.

**Porçarelli:** Without innovation, a company will begin to die. Great companies falter because they didn't put enough emphasis



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**JEVIN EAGLE** is executive vice president of merchandising and marketing for **Staples**. Jevin was a principal architect in developing the Staples brand promise to make buying office products easy.



**RANDY CARLSON** is global innovation director for **Diageo**. Previously with Ralston Purina, Tropicana and PepsiCo, Randy has a diverse perspective on common success factors for innovations across marketplaces.



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on innovation and reinventing themselves. Is there a return on innovation? You bet your life there is, because innovation is the lifeblood of every business.

There's a huge return because innovation fosters innovation. When someone comes up with an innovative idea it becomes almost addictive because as you begin to have success with innovation you want to have more success, and more innovations follow. Innovation is its own impetus for greater innovation. ■