



FMCG innovation

The 8 system failures & how to avoid them

November 2021

8 System failures and must knows for every FMCG marketer and how to avoid them

Our goal is to help FMCG brands to make faster and better innovation choices. We do this with our European test center where we apply lean innovation methods to reach our clients' goals. Research shows that over 80% of all innovations fail. This is a waste of time, talent, money, resources and it negatively impacts the environment.

Poor decision-making is here to blame. Within the FMCG industry, decision-making often suffers from information shortfall, data overkill, insights poverty, groupthink and interests bias. But also consumer ignorance, operational focus, company culture, shopper blindness and skewed assumptions play a role in this issue.

In the FMCG industry, many would admit this is the case. It is striking that the industry seems to take this for granted and continues poor decision-making, even though they are aware of it and possibly know about the resources and support available to improve decision-making.

This is a pattern we need to break together with the industry. We realize we can't do this overnight and we are aware of the boundaries, understand the difficulties and know the pitfalls. Good decision-making is a profession and an art. Providing the industry with better know-how, tools and routines will help to gain confidence and break this pattern.

This is the main reason why we created this e-paper about the 8 system failures. What are they, why do you need to know them and how to avoid them? We hope that we will disrupt your thinking about how you do your job as a marketer. Because we believe that every marketer wants to write history with their brand.

Would you like to gain more insights after reading this e-paper? In 2022, we will launch the Bamboo Brands Academy, which offers a dedicated training program for marketers in the FMCG industry. Stay tuned for more news on www.bamboobrand.com.

The 8 system failures

1. Once it's in the plan, it's in the plan.
2. Don't focus on the product that you can produce. Focus on what you can solve for the consumer.
3. F*** internal business assumptions.
4. Don't overestimate the power of your marketing activity plan.
5. Know your responsibilities as a marketer. It's not about filling internal documents.
6. Face internal headwind of other departments. Shake their hand, they are right.
7. Sustainability a topic in your company? Work on it and act!
8. **Save 15%** of your marketing budget!

1 / Once it's in the plan, it's in the plan

I think you all know this feeling. Suddenly an idea pops up. "We should introduce X, or develop Y. It will really let our market share grow. I know it for sure." The first thing you do is pitch your idea to other colleagues. They also get excited about your idea.

You take it to the next level, prepare a presentation and present it to your manager. He is also very enthusiastic and you both plan a meeting with the CMO or management team. Together with your manager you give a presentation and the project is born and the management team quickly implements it in their MTP (Mid Term Plan) with a rough timing for an introduction.

Yes! You did it... but what did you actually do?

This is a good example of how an idea comes to life within FMCG A-brand companies (of course there are several other routes, but more or less they go the same way). Probably you provided resources to work on the project and make people believe in the new innovation. But where do you and they actually believe in?

Where is the consumer? It is already in the plan! And you and the management team already implemented it in the annual operating plan. Also, the P&L of the innovation and the way they want to produce it (the rough sketch of the P's in the marketing mix) is already roughly defined. What goes wrong here? Well you sold your idea to the bank and mortgage is already running and there is almost no room for huge adaptations in the big idea itself.

Solution: Only sell your innovation internally after you have reduced the risk and uncertainty of the innovation with consumer behavior input. Which consumer problem are you solving with your new innovation? Please check this before you sell it.

Case: In the Netherlands, No Fairytales introduced Veggiewraps in the chilled section. Then, suddenly the Unilever brand Knorr introduces also a veggie wrap, but then in the ambient section of the supermarket and became the market leader in a new category. It is therefore essential to thoroughly research consumer behavior before you make a final plan.



1. Chilled section



2. Ambient section

2/ Don't focus on the product that you can produce. Focus on what you can solve for the consumer.

A very popular phrase used by marketing consultants is that you should think outside-in and not inside-out. They are right! Why is it so difficult then to apply this concept?

Well, in my opinion, it has a strong correlation with the belief or confidence a management team has in innovation. Facts and figures show that the ROI on innovation is low. Innovation projects are consuming internal resources and 80% of innovations disappear from the shelf after a year.

Naturally, the company believes in innovation to thrive the brand, but departments like Finance, Supply Chain and buying departments have an underlying skepticism about innovation.

So investing in a new innovation with a huge Capital Expenditures does not reduce risk and uncertainty for the company and most companies believe in projects in which current production resources are being used.

The way we as marketeers should think is consumer solution-driven and we should try to implement that knowledge into the innovation of the brand.

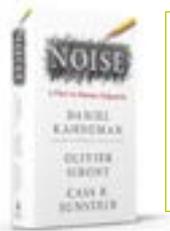
Solution: Apply the lean innovation rules to your organization. It will help you to bring both worlds together. In our Bamboo Brands Academy we will zoom into this topic.

3/ F*** internal business assumptions

Internal commercial decision-making is a huge problem within A-brand companies. Trying to find internal alignment between departments such as Marketing, Sales and Trade/Category management takes a lot of time. Meeting after meeting we try to convince each other of what the best route should be for the innovation. Personal opinions need to be tackled. And that is quite normal because we all get paid to share our opinion and expertise as a professional, right?

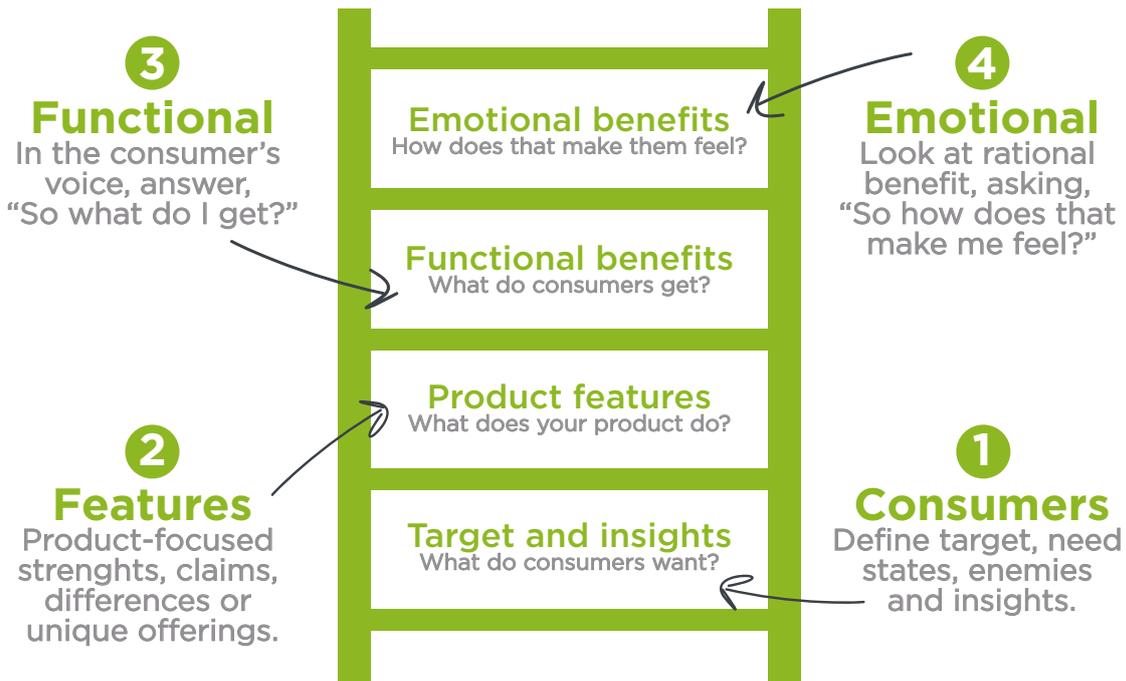
The best innovations are not based on internal opinions, but they are built on consumer behavior (and neither on consumer opinions). Use these insights to reduce risk and uncertainty for your innovations and try to stay away from internal business assumptions.

Solution: Really focus on the consumer benefit and let consumer behavior do the talking.



Book tip: Read 'Noise', a book by psychologist Daniel Kahneman. It's about why we all make bad decisions and what can we do about it.

Consumer Benefits ladder



4/ Don't overestimate the power of your marketing activity plan

As a marketer, your main goal is to strengthen the brand in the long and short term by creating value and find a solution for a customer's pain. Right? You develop new products and build activation plans to generate trial and stimulate repeat buying based on the objectives you have set.

With the empirical assessment center of Bamboo Brands throughout Europe we help our customers with solid business assumptions for their business case. We test the innovation on shelf and measure shelfworthiness (base rotation) on a national level.

During the preparation sessions for these assessments marketers often ask us:

"How can you measure the effects of our marketing campaigns? Because if we are going to launch it, we are pushing the innovation?" Of course, it is important to have an effective marketing campaign to push your innovation to generate trial (depending on the objective).

However, I personally think the time for large-scale marketing campaigns without a fact based business case is over. The main reason is that the average time retailers across Europe provide you to prove if your innovation is sustainable, is a maximum of 6 months.

Most of the larger retailers already start performance discussions of the innovation in the second month. So having said that, base rotation is essential. Our statement is "if there is no base, the innovation is not viable".

Solution: Only introduce innovations with a proven base rotation.



5/ Know your responsibilities as a marketer. It's not about filling Internal documents.

Yesterday one of our clients called me. She said: "I am currently taking some days off because the internal pressure is getting high and I really need to get back into balance. I hardly get any time for my own things, introductions are already in the plans and I am only focusing on getting the S*** done and try to manage everything internally."

It really makes me sad. She is one of the top talents of this company and is already stuck in the internal processes. Is this what she dreamt of when she started working? Is this her dream job? Did she study for this? Never!

We as marketers should find a connection with our target group and find solutions for their problems with our brand purpose in our minds. This should be the priority number 1 in our job!

We need to connect the needs of the consumer and translate it into internal possibilities. But we as marketers are only

occupied with the issue that an innovation is disrupting the main processes within an organization and affecting efficiency in factories, buying departments and economies of scale etc.

In fact, the innovation is 'a small startup' in a big organization and those processes do not match. This is not a marketing problem, this is an organisational issue. We as Bamboo Brands have a solution with our lean innovation approach for FMCG innovations and FMCG innovation processes. However, it all starts with the discussion of what the current responsibilities of the marketer are and what they should be internal!

Solution: Get around the table with your team to discuss this and determine what your responsibilities are and how to act accordingly.

ROI of marketing time spent on innovation is very poor. We often start a board meeting by asking: are you aware that marketers in your company are only productive on Monday?

6/ Face internal headwind of other departments. **Shake their hand, they are right.**

During board meeting sessions I often come to the conclusion that what happens above the table is something different than what is happening under the table. What I mean by that is that board members not always say what they do (yes, they are also humans). When it comes to innovation, most companies believe that innovation is the way forward and helps the company grow and be relevant in the future.

Actually, innovation is a funny thing. It's ungradable, it's almost a belief. There are believers and skeptics. The CEO is the preacher of the innovation belief. However, innovation is affecting the KPI's of several departments/disciplines within an organisation. Mainly the 'blue' orientated disciplines such as Finance, Production, Supply Chain and the Buying department. They are focused on facts and figures and try to optimise the current business.

Those are mainly the departments where we as marketers face headwinds. Generally, these departments are not characterized by an entrepreneurial mindset, but

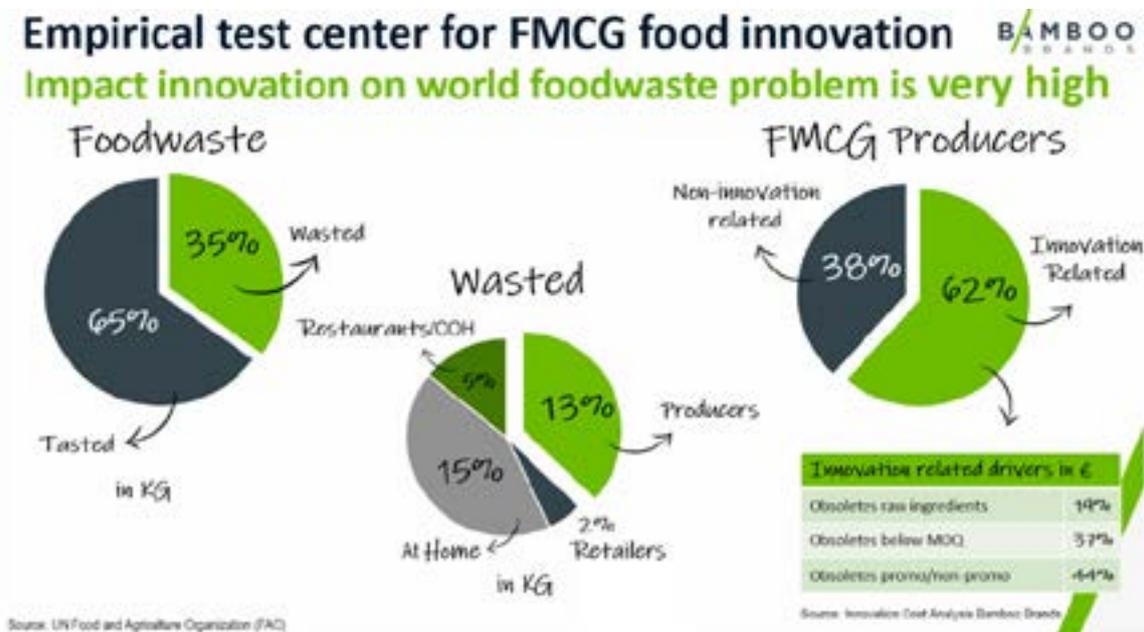
rather a process-oriented mindset. What is the driver behind this? Yes, the KPI's of the department for sure, but there should be an overall KPI sheet of the company which describes somewhere the belief of the innovation. It is the colour blue, which represents facts. And those facts are not in favor of innovation.

The ROI of innovation is very poor. Research shows that 80% of innovations disappear from the shelf within a year (source: IRI worldwide 2021). We as marketers are the engine and driver behind every project and are the ones who are telling that "this project will definitely be successful". We need our 'blue eyes' to get other departments to take action. Then again, the facts are not in our favor and we need to work on those facts.

Solution: Build an innovation funnel that is based on consumer behavior and empirical testing. That way you can reduce risk and uncertainty and create alignment within the organization.

7/ Sustainability a topic in your company? Work on it and act!

Innovations have a significant impact on our world food waste problem. The presentation below (from the UN Food and Agriculture Organization) shows that 13% of what is produced is wasted. It is shocking to see that almost 2/3 of that figure comes from innovation. If you don't know the base rate of sales, you need to produce a minimum order quantity and have to waste raw ingredients in case the innovation is below the expectations of the plan.



We found out that the current innovation funnel of producers is not sustainable and not matching the current standards of how companies should act and work. Generally, we as marketers have no insight into the exact costs of innovation. If we don't know the facts, how can we optimise the process? This is the starting point to improve our marketing discipline. If we let the marketers dig into the consumer behavior, we can reduce the risk and uncertainty of innovation projects and finally bring back entrepreneurship into the company.

Solution: Apply lean innovation thinking in the company. Stay tuned for our Bamboo Brands Academy where you will learn how to make this possible.



8/ Save 15% of your marketing budget!

Are you willing to dig deeper in order to gain reliable consumer data? Firstly, ask yourself if your marketing budget is spent wisely. This is what we've seen happen during some Concept Validation Assessments at Bamboo Brands (where we measure the base rotations of the innovation in-store). A marketer proudly presents us an online survey which shows that the panel members selected the winning design.

**“Consumers don't think how they feel.
They don't say what they think and they
don't do what they say.”**
(David Ogilvy, British advertising tycoon)

Picture this: The online applicants receive approximately 2 euros per questionnaire, sit in a chair, and are therefore positively biased. And these are the researches we as marketers use to build our assumptions for the business case. It is easy, quick and cost-efficient. Ask yourself: will this research really help you? Are these assumptions reliable? Do applicants have the right context and the right mood and mindset? In my opinion, this kind of research is the sand that is thrown into the marketing innovation machine. It doesn't help you at all.

Solution: Dig deeper and focus your hypothesis setting on consumer behaviour and not on the consumer's opinion.

An average marketing budget for a mature FMCG brand has an average of 15% spent on market research (Source: Innovation Cost Analysis, Bamboo Brands 2020). This money should be spent more wisely. Reconsider if your budget is spent to really reduce risk and uncertainty in your marketing hypothesis. In our Bamboo Brands Academy we will zoom into this matter.

/ Cases

Our in-store market assessments help FMCG companies to make faster and better decisions. Click on [the cases](#) below to read more about our approach.



Want to put these ideas into practice?

Book a free **60 minute online consult** with us.

