



INNOVATION LIFECYCLES

in/out criteria, investment models...
for product innovations

Oct 2018



What's IN, what's OUT innovation scope?

Criteria for PRODUCT innovations*

NEWNESS FOR CONSUMERS



TIME IN MARKET



IN innovation



NEW PRODUCTS

- New liquid
- Limited Editions and packaging restage are **NOT** included

- Any SKUs bringing a new value *proposition* **for the consumer**, on a **specific market**. (ie Aberlour 12 is an innovation in Asia but not in Europe).
- New Big Bets FY 19 portfolio

OUT innovation

= maximum up to 4/8 years in markets



FAST GROWTH:
up to 4 years post market introduction



SLOW BUILD:
up to 8 years post market introduction



RANGES with innovations:
up to 8 years after market introduction of the first SKU

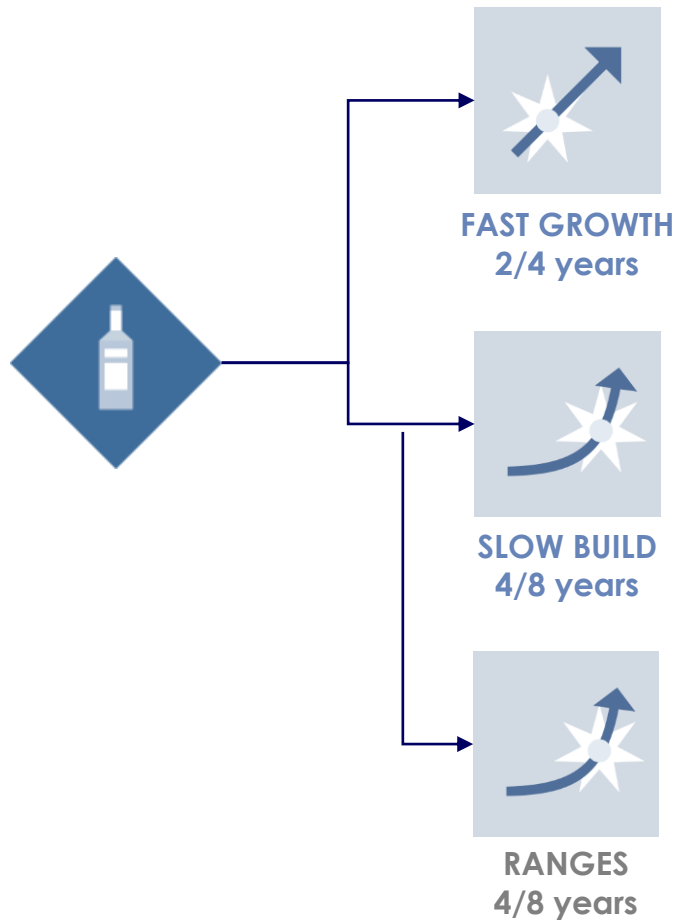
(NB: exceptions can be made based on COMEX decision)

*These criteria apply for products. Services & experiences criteria are WIP



Fast Growth and Slow Build definitions

2 growth models to help you manage your innovation's lifecycle



- Typically line extensions from strong brands
- Endorsed by a mother brand with strong equity where it is launched (less education and awareness to do)
- Success in 1 market first
- Window of 2-4 years to rollout globally
- ROI: short/mid-term payback after inflection point

- Typically New-To-World or stretch from the mother brand + M&A and sleeping beauties (needs more time and investment to build awareness and ROI)
- Taps into clear consumer insight / opportunity
- Brand building over a sustained period > 5 years
- Acceleration once inflection point is reached due to strong advocacy
- ROI: mid/long-term payback after inflection point

- Innovations launched as permanent series, inside which SKUs can be renewed
- Strategic intent of building a range / a series from brand owner
- Range can be pre-existing or totally new, it is considered as an innovation as long as 1 SKU is an innovation
- Has up to 8 years after market introduction of 1st SKU to maximise ROI (Slow Build model)

External Example



Internal Examples





Innovation lifecycles & investment models

Ideal Fast Growth investment behavior over time

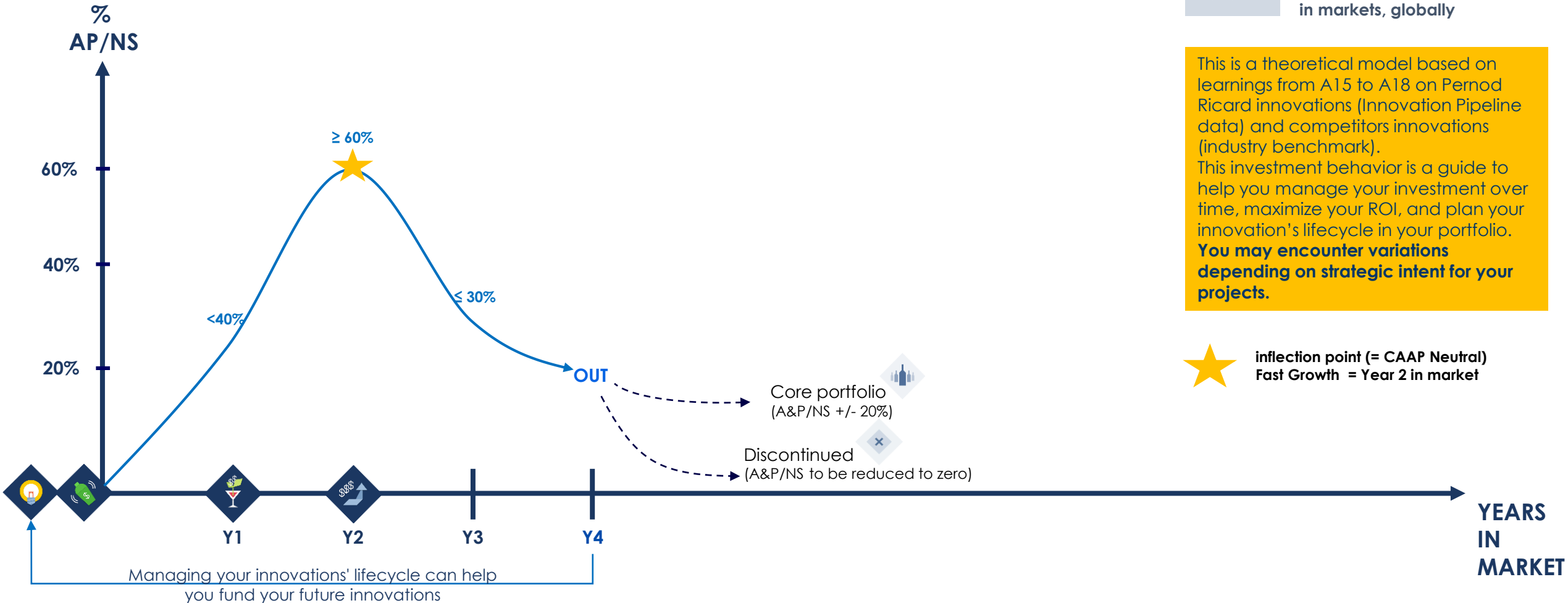


Fast Growth
2/4 years
in markets, globally

This is a theoretical model based on learnings from A15 to A18 on Pernod Ricard innovations (Innovation Pipeline data) and competitors innovations (industry benchmark). This investment behavior is a guide to help you manage your investment over time, maximize your ROI, and plan your innovation's lifecycle in your portfolio. **You may encounter variations depending on strategic intent for your projects.**



inflection point (= CAAP Neutral)
Fast Growth = Year 2 in market



NB: levels of A&P do not include IFRS15 impact as based on data prior to evolution. Behavior will remain the same.



Innovation lifecycles & investment models

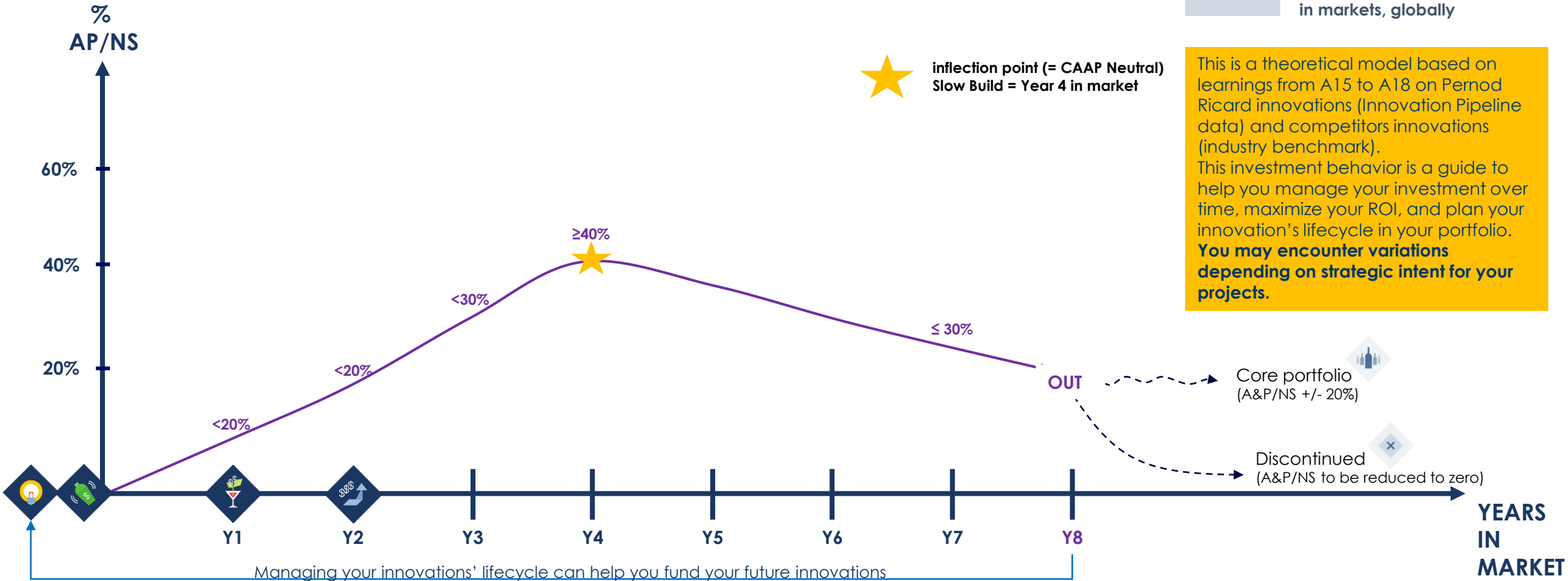
Ideal Slow Build investment behavior over time



Slow Build

4/8 years

in markets, globally



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Don't hesitate to reach out to the team for questions & support about innovation lifecycles, portfolio management and investment behaviors.



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