



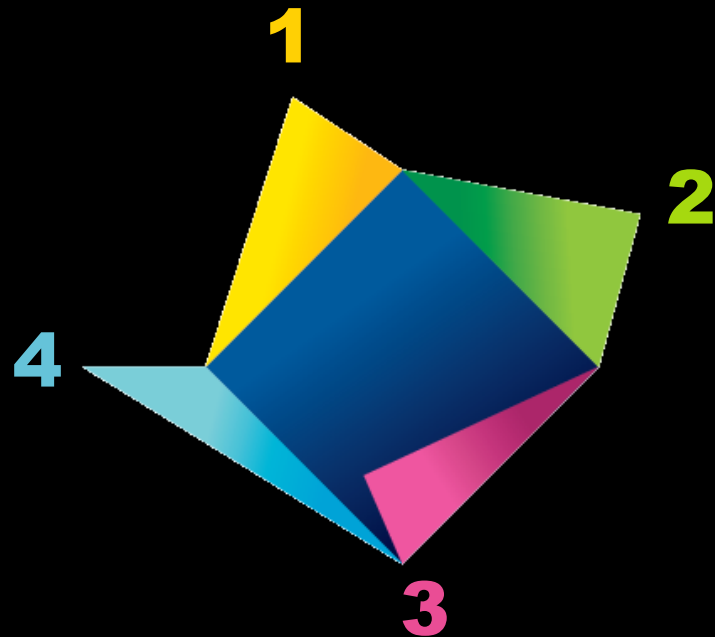
# Transform Ideas Into Sustainable Business Value

How to lead for Innovation in your organisation?



*This book is for all the leaders with the mission to transform ideas into new business value. It will help you:*

- ✓ *structure your Innovation approach*
- ✓ *increase Innovation Business Impact*
- ✓ *accelerate the adoption of agile principles.*



*Here's to all the ones daring  
to make a difference in their organization...*



## Where to start?

Any corporation starts its innovation journey with a purpose:  
“find new ways to make a positive difference in the organization”  
And daring to make a difference is not always an easy path!

To foster innovation, you need to work on different dimensions that will lower the barriers to make it happen, and accelerate the creation of sustainable new business value. There is no magical recipe, but here are 4 pillars to leverage in your entity to lead your innovation transformation:

**1. Build Culture** / Build momentum, encourage exploration, distill a mindset of making ideas real at an early stage and create the conditions for collaboration that foster innovation

**2. Empower people** / Identify talented people that naturally challenge the status quo to form cross-functional teams, empower them with the Group's methodology to test & learn their ideas on the field as soon as possible

**3. Accelerate projects** / Select ideas with most potential, manage a portfolio of ideas at different pace, provide a sustainable funding & resources to the ideas with most potential over time

**4. Measure progress** / Drive top line growth from your entity, develop new ideas when necessary, capture learnings and share back with the Group to increase our collective ability to answer rapidly to consumer / customer behavior shifts in the future

**Unleash the entrepreneurial spirit in your entity  
to build your competitive edges for tomorrow!**



# Context

If you want to set the pace in our industry rather than always be playing catching up with competitors. It is now time to do things differently in your entity!

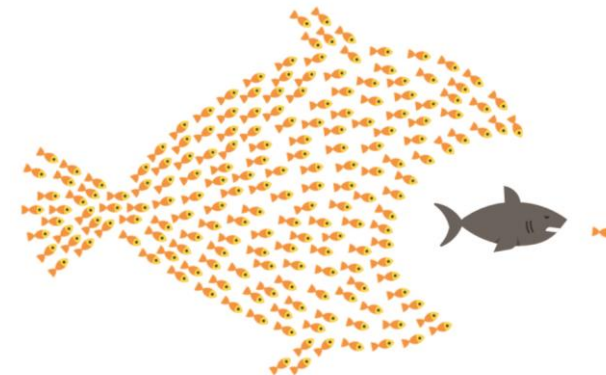
## We have entered an extremely volatile time...



- ⇒ In many industries including ours, barriers to entry are lowered by the raise of new technologies
- ⇒ Many small players now have access to building new & attractive offers for our consumers
- ⇒ The raise of a multipath route to purchase has transformed our relationship with consumers
- ⇒ Overall, competitive advantages from global brands are challenged by smaller players

How can you turn the higher speed of change into opportunities for your entity? How can you address at pace customers & consumers behaviors shifts? How can you use your corporate size as an “unfair” competitive advantage versus smaller players?

**At Pernod Ricard, we believe learning fast with consumers on the field has become a true competitive advantage.**



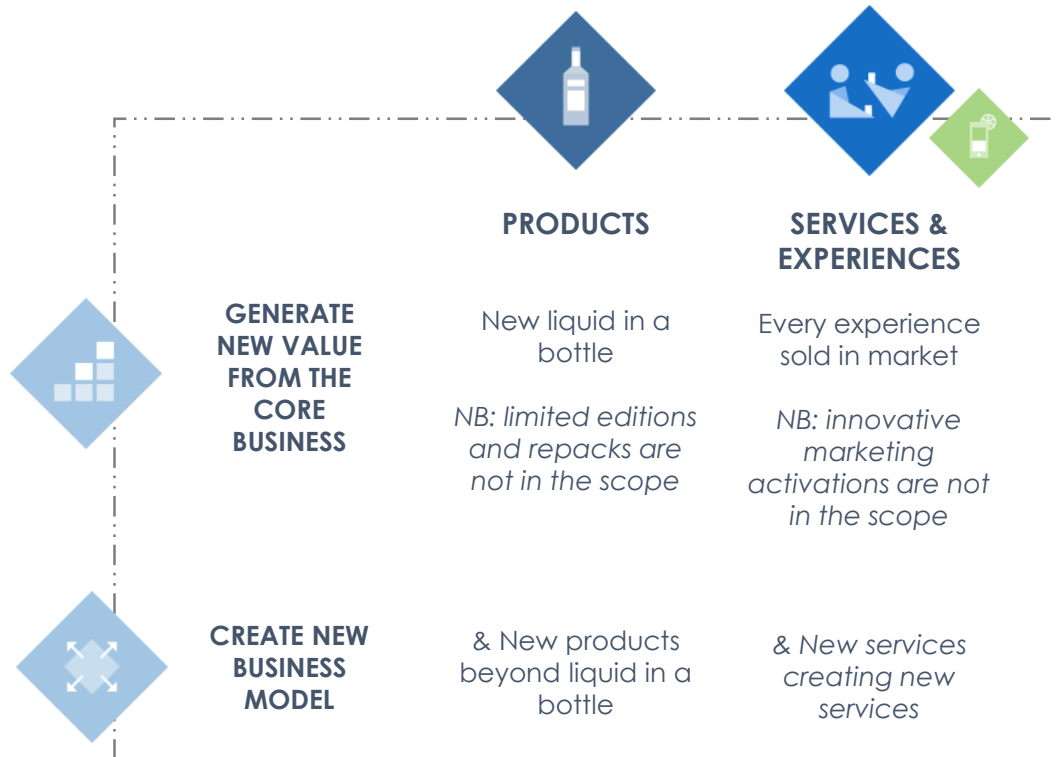
*Are you ready to become the disrupter, or will you let others disrupt your business?*

## NEW, NEW, NEW... not for new sake...

.... Innovation delivering concrete value for the end users, for the customers, and ultimately for the shareholders

**INNOVATION =  
New Products, Services & Experiences**

which deliver VALUE, supported by a sustainable business model



## Be ready for the challenges ahead...

Innovation requires **People + Funding** and a strong (internal + external) ecosystem to make sure you can reach out to expertise when needed.

Innovators deal with many challenges, encourage them to dedicate **time to test & learn and to adopt new ways of working** to deal with uncertainties along the journey:

- Is there a Consumer usage?
- Is value clear and simple to communicate?
- What's the best Route to market?
- How to integrate this new technology?
- What are the legal implications?
- If there a new Business Model to explore?

**How can you facilitate the life of people making Innovation happen in you entity,** lowering the barriers from your entity?

## The Biggest Obstacles to Innovation in Large Companies

Based on a survey of 270 corporate leaders.

### Responses



Source: Innovation Leader

HBR

# Build Culture

Build momentum, encourage exploration, distill a mindset of making ideas real at an early stage and create the conditions for collaboration that foster innovation

## Culture is the first step of any innovation journey



You cannot ask your teams to become innovators overnight...

**Innovation is an attitude! Encourage people in your organization continually seeking new ways to make a difference.**

- ✓ Identify leaders with passion, able to role model innovation behaviors and give permission to the rest of the organization to explore, create and make things differently
- ✓ Recognize Innovator's qualities: Connections builder, simple communication, positive attitude, accountability, flexibility, obsessed with consumer value, willing heart, creativity
- ✓ Distill a mindset of making ideas real at an early stage, make sure people ask themselves the right questions
- ✓ Boost your teams' capacity to connect the dots in a different way, to be more creative in problem solving for consumers...



## Check List

- ☐ Are Human Resources involved already? How do you recognize people implementing ideas making a positive impact in your entity?
- ☐ Do you have a safe zone to green house new ideas? Do you have a creative space in your office?
- ☐ Do you capture your innovators' stories to inspire the rest of your organization?

## Key principles to building an innovation culture



- ✓ **Get out of the building.** You will learn faster in a field exploration, taking direct feedback from consumers and customers in a real environment (a bar, a club, a restaurant...)
- ✓ **Inspire your teams external with speakers.** Invite some guests to transmit their stories, organize some roundtables with people from different backgrounds startups, universities, VC's... to share their point of view on different Innovation challenges
- ✓ **Create a physical space to signal a different state of mind.** A different mindset will bring different results. Encourage your teams to share their ideas at an early stage. Build an inclusive "home feel" space facilitating transversal meetings, including people with expertise beyond marketing & commercial (finance, R&D, IT and legal...)
- ✓ **"Shoot for the stars, land on the moon".** Set for big ambitions but adopt a step-by-step progress. Entrepreneurial spirit is an approach where you seek actively for positive change rather than waiting for change to force you to react last minute once it's there. It is a mindset that embraces critical questioning, followed by quick actions and continuous improvements...
- ✓ **Do not fall in love with ideas... fall in love with the problem you are trying to solve** for consumers, it leaves you room to iterate and will increase your starter ideas' value over time.

## Turn your entity into a safe place where ideas can grow



An idea is very fragile in its early days, as its usage / value are not proven yet. Protect it with the **SUN** "greenhousing" technique:



**S** – Suspend Judgment  
**U** – Understand the idea  
**N** – Nurture the thinking



An idea's value will grow over time as you strengthen it with learnings from the field.

Apply the **design thinking approach**, by going from Expansive to Reductive thinking followed by quick actions. Your teams will enrich your idea at every stage, and be able to iterate when necessary.

*"No amount of experimentation can ever prove me right; a single experiment can prove me wrong" - Albert Einstein*



# Empower People

Identify talented people that naturally challenge the status quo to form cross-functional teams, empower them with the Group's methodology to test & learn their ideas on the field as soon as possible



## Innovation is all about People...

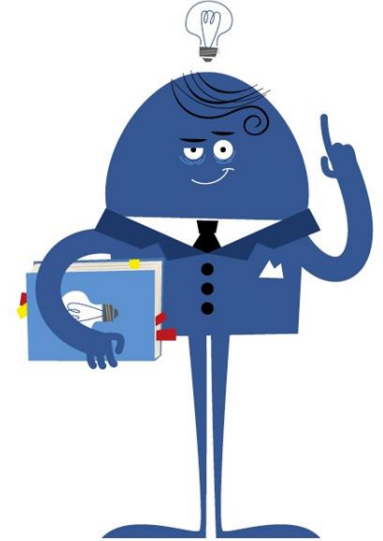
An innovation's value does not entirely come from the idea itself but from the people making it happen.

**A starter idea has very little value, anybody can have the same idea.** What makes a difference is the team that will turn that idea into real business value.

Remember that Innovation can create frictions with the rest of the organization. It is a challenging mission, requiring to adopt new ways of working to deal with what innovators don't know yet appearing along the journey.

### Key principles to empower people

- ✓ Identify talents that naturally challenge the status quo, encourage them to build a cross functional team at the beginning of any innovation project, adding in experts both internal and external, when needed
- ✓ Adopt innovation methodology adapted to the Pernod Ricard environment, ways of working and tools, to structure your innovation projects



### Check list

- ☐ Do you allow enough time & resources to your teams to test & learn?
- ☐ Do you facilitate transversal work by breaking silos?
- ☐ Do you have an ecosystem of 3rd partners to help you along the journey?

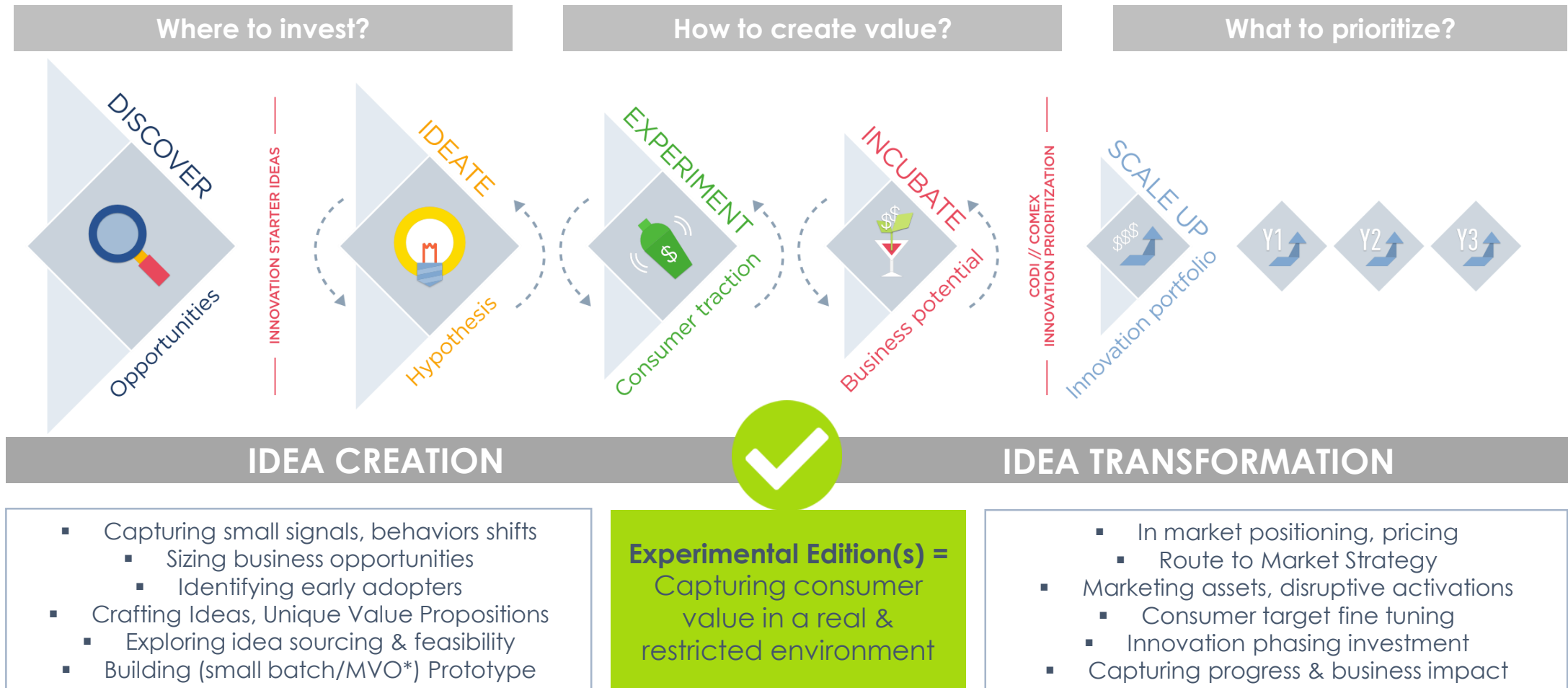


# Do you know... Where to invest? How to create new value? What to prioritize?

The **Innovation Funnel** is a structured approach with 5 phases to help you unlock value and increase your chances of success.

Why? Because each idea goes through stages with a set of specific criteria & questions to answer to in order to lower uncertainties.

**Experimental Editions** are at the heart of the methodology, it's a way to learn about consumer traction on the field! By doing so, you can iterate at an early stage whilst cost implications are still low, and avoid late costly iterations or frictions with your customers at a later stage.





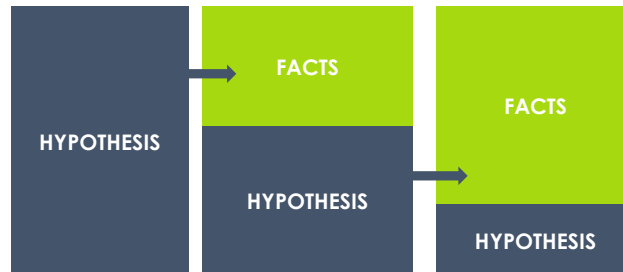
## Does “too big too soon” resonate with you?

It's probably time to accelerate the adoption of the test & learn approach to lower the risk on investing in a new idea...

### 10 challenges identified by Innovators (in no particular order)

- No clear and simple way to transmit value to consumers
- No specific usage validated
- Look for perfection over experimentation
- No clear consumer need so no markets on board
- Lack of engaging and disruptive assets on the field
- No specific competitive set identified
- Lack of Distribution, unclear Route to Market
- Not enough time allocated & team resources
- No entrepreneurial attitude
- No plan as a way out if needed

An idea has no value until tested against reality. It's only when you know you are onto something, that you can invest a bigger amount of capital.

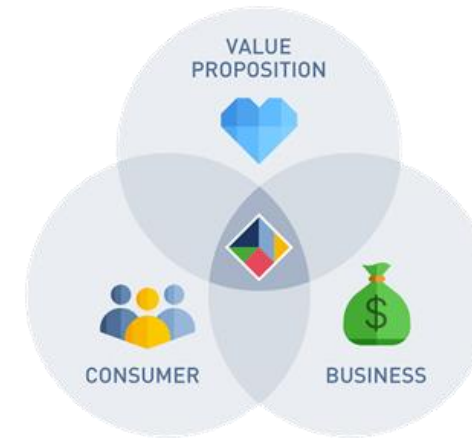


**Speed in the validated learning means you are doing something right** (feedback loop: build, measure, learn).

Making tests in a small realistic environment to collect learnings with limited resources & to understand on the field where your innovation's value lies from a consumer/customer point of view...

## The 3 success criteria, your framework to success

Answer precisely to the Innovation Success criteria on the field at an early stage with consumers. Everything starts with consumers, it's all about solving a problem, a pain point for consumers to unlock value ...

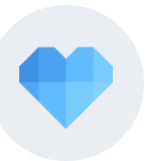


3 lenses to help you clarify with a 'Test & Learn' approach

- ✓ Why would people love it?
- ✓ Who will buy it first? Rebuy it?
- ✓ What's the size of the prize? Instead of what will people buy it?

### UNIQUE Value Proposition =

A clear usage identified, a name & story that resonates, and answers on what's new & why it is worth buying



### Consumer TRACTION =

A true consumer benefit for early adopters identified on a specific occasion



### POSITIVE Business IMPACT =

A source of business sized: 'Instead of what' people will buy it, a pricing covering costs and, a clear route to Market



# Accelerate Projects

Select ideas with most potential, manage a portfolio of ideas at different pace, provide a sustainable funding & resources to the ideas with most potential over time

## An increasing number of new projects in our organization



It's reflecting the pace of change of our consumer's needs, your entity has to make decisions on a regular basis in order to identify the most promising ideas, the ones with clear consumer traction and a concrete source of business

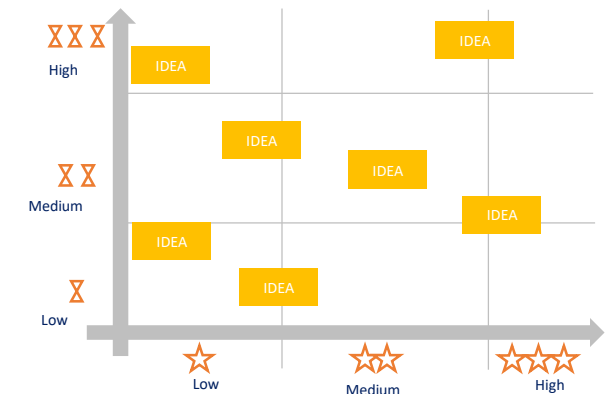
### Managing a dynamic portfolio of ideas also increases chances of success.

Be aware that out of 10 ideas you invest in, 1 or 2 ideas will be a success, 2 to 4 ideas will not lose money but not truly be a success either, and the rest will fail.

Implementing a portfolio of projects in markets is also a concrete corporate "unfair" competitive advantage versus smaller players.

Building a coherent portfolio implies getting some innovations:

- ✓ At different stages of development
- ✓ With a different level of newness for consumers
- ✓ Different level of stretch from the Pernod Ricard core business
- ✓ Different size of business impact



### Check list

- ☐ Have you put in place a governance to review innovations on a regular basis? Do you reallocate resources when necessary?
- ☐ Have you identified sponsors involved in your organization to lower barriers when necessary at any phases of development?
- ☐ While being highly cash conscious, do you allocate sustainable funding & resources over time?



## Don't let value get lost in translation



How do you recognize an idea that has got value?

**1/ Value is always contextual** / So it should appeal only to certain people for specific occasions. Trying to answer to several operational objectives puts value at risk.

**2/ Value is polarizing** / It has got traction naturally. Its singularity is perceived by early adopters, the ones who will buy you first. Trying to talk to everybody end up that nobody will notice you.

**3/ Value provokes word of mouth** / It should be easily understood by a friend, so no marketing jargon shall be used, no need for big push marketing campaigns either. It is all about aspirational stories capturing people's attention becoming viral to start with.

Different stakeholders are involved along the journey, make sure your entity can easily transmit value along each step of the value chain.

Ensure a simple communication with each of the key stakeholders. Value should be easily understood by anybody in your entity, but also by other affiliates, 3rd partner distributors and ultimately by your consumers.



Remember that every time your entity starts implementing a new idea, you are adding one more offer to the marketplace so your argument must be a strong one!

**Be highly cash conscious along the journey**, as an Innovation requires several years of investment, for at least over 3 years or more... and decisions making on a regular basis by capturing quantitative and qualitative data

**An entity leader also needs to get the courage to cut a new project when necessary**, otherwise it can sap your organization's innovation capacity and energy.

Before a project is stopped, a phasing out plan is needed!



# Measure Progress

Drive top line growth from your entity, develop new ideas when necessary, capture learnings and share back with the Group to increase our collective ability to answer rapidly to consumer / customer behavior shifts in the future

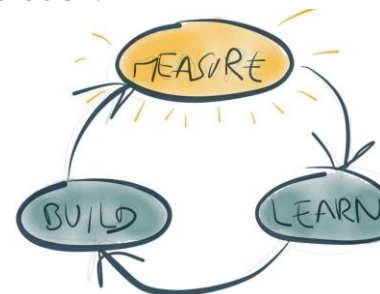


## As innovation takes time and resources

Encourage your teams to operate in a “test & learn” culture of iteration and frequent feedback – and once they find a winning formula, their cross functional alignment enables to scale it rapidly.

It requires a real discipline to capture learning, step back to understand what's working, what's not and why? In a corporate world, innovation projects are often transferred from one person to another, so allocating time to transmit feedback is critical.

Learn fast with customers, consumers... in a real environment requires a **structured approach**:



1. Getting **hypotheses** on where value comes from
2. Having a point of view on **what success looks like**, thresholds
3. Setting **metrics**, KPIs both quantitative and qualitative, parameters to capture evidence
4. Collecting **feedbacks** along with key facts and figures with people on the field

LEARNING AND INNOVATION GO HAND IN HAND. THE ARROGANCE OF SUCCESS IS TO THINK THAT WHAT YOU DID YESTERDAY WILL BE SUFFICIENT FOR TOMORROW.

- WILLIAM POLLARD

## Check list

- ☐ Do you agree on a set of metrics with key stakeholders on each of your innovation projects?
- ☐ Do you base your decisions on evidences from the field? Do you put consumers & customers' value at the heart of any key decision?
- ☐ Do you enable people in your organization to pitch for funding new ideas?

## Get People on the field to capture feedback, data, stories with customers/consumers

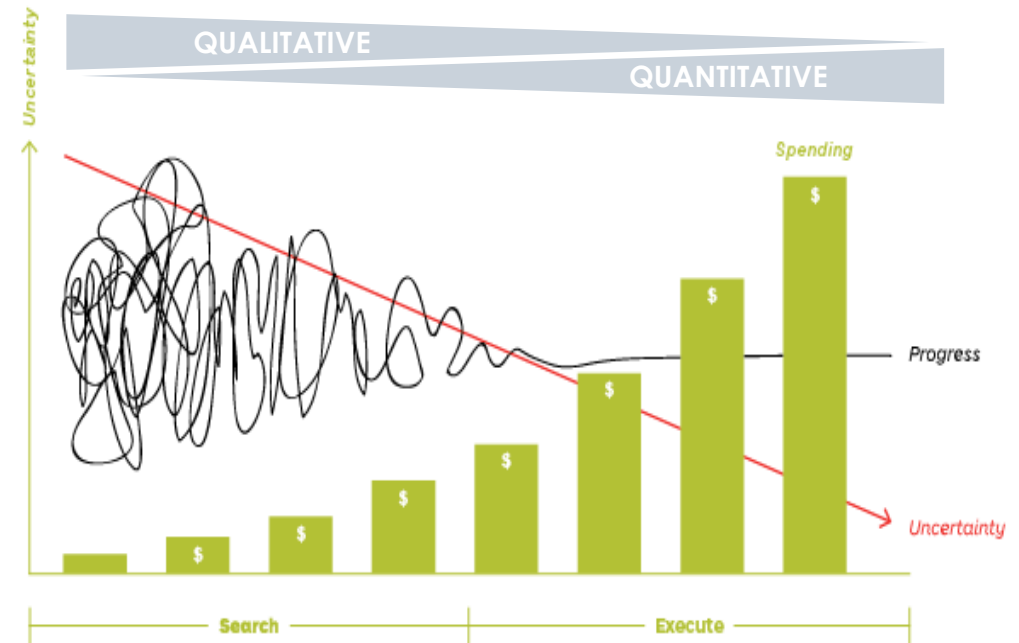
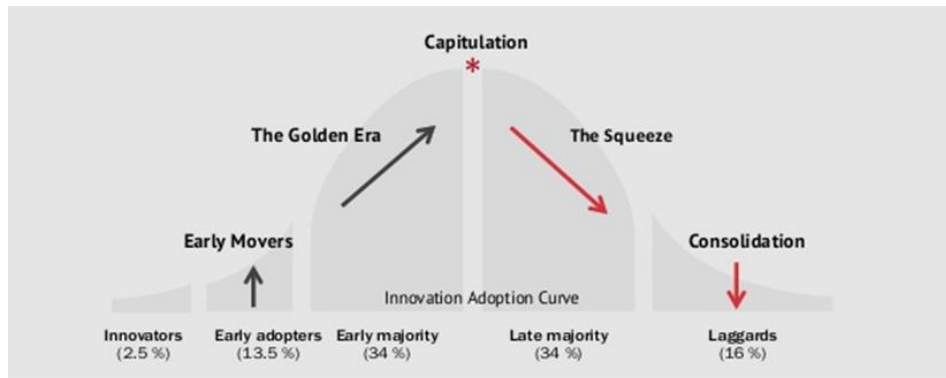
Choose metrics always linking back to hypothesis on the problem you are trying to solve

These metrics are usually different from the core business, evaluate it frequently and align on tangible action steps & thresholds with stakeholders

- ✓ It must be easily measurable
- ✓ Set objectives on 3 months' timeframe. Having short term objectives can help you to **reduce burn rate** on innovative projects
- ✓ Avoid Vanity metrics (chosen to prove you are right or successful)
- ✓ Adapt the metrics according to the lifecycle: more qualitative than quantitative at an early stage of development



**Brand ambassadors can be a great asset to capture evidences from the field**, both qualitative elements and key facts and figures to share back with the rest of the team. You would probably lose a lot of valuable insights by giving this activity to external agencies



## Collect enough evidences to facilitate decisions making

An innovation has got a lifecycle, it will not remain new forever. It needs different learnings and level of investment over time

- ✓ **from the idea creation to test & learn**: focus on what's critical to unlock value and usage by limiting spending at an early stage to allow iterations
- ✓ **to geographical expansion**: capture what's working, what's not in market, adapt your marketing activities accordingly to strengthen consumer traction before investing in a bigger amount of capital
- ✓ **to go back to permanent range**: follow up KPIs to diagnose your innovation behavior on a regular basis, and make sure when the innovation is fully integrated to the permanent range that you get closer to the group A&P guidelines



# What's Next?

When starting an Innovation journey, it's important to have a vision and a strong internal driver of what success looks like. A sense of purpose will help carry you through the unavoidable periods of trial, doubt, and struggle...

"People don't buy what you do, they buy why you do it"  
– Simon Sinek



## You wonder where your organization stands in the innovation journey (products, services & experiences)?

Today you would like to assess what's working, what's not and know why? The HQ team can help you to build a diagnosis and a roadmap to accelerate your Innovation journey. **Contact us!**

### Become ambidextrous



New revenue will probably come from new business models in the very near future, including products going beyond the liquid, experiences and services. It requires the capacity to:

- Diagnose where you stand in the Innovation Journey (Culture & Capabilities)
  - Manage a dynamic Innovation Portfolio (Products & Services)
  - Enable New Business Model Experimentation (Funding & Resources)
- Understand the Innovation Ecosystem in your location: Venture Capitalist network, emerging Start Ups, Universities...





## **Get in touch**

You would like to deep dive certain part of the booklet...

### **Contact us**

Paco Recuero  
Astrid Froment  
Emily Lara Rosales  
Simon Vignau



**To invent you have to experiment,  
and if you know in advance  
that it's going to work,  
it's not an experiment."**

**Jeff Bezos**

