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# **INNOVATION IN AND OUT**

investment models, lifecycles and  
tracking

*May 2018*



## 1. Pernod Ricard Innovation definition

- 1.1 What do we mean by innovation at Pernod Ricard?
- 1.2 Innovation Scope

## 2. In and Out criteria for innovations

- 2.1 Methodology
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- 2.3 Lifecycles & investment models

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## 4. Innovation tracking, Prisma and the Innovation Pipeline

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- 5.1 The Innovation Pipeline



# 1.1 What do we mean by innovation?

Definition for Pernod Ricard

Deliver viable<sup>1</sup>  
**Products** and **Services**  
for New Consumer Desires<sup>2</sup>  
creating Business Value<sup>3</sup>



1 / VIABLE = It's quite easy to get an idea, it's harder to make it happen. It must be quickly tested it against reality at small scale

2 / NEW CONSUMER DESIRES = Innovation is all about consumer traction, a brand centric approach reduces chances of success

3 / BUSINESS VALUE = Innovation must sustain itself over time and makes money after its inflexion point in market





# 1.2 Innovation Scope

NEW Products AND Experiences / Services from Pernod Ricard

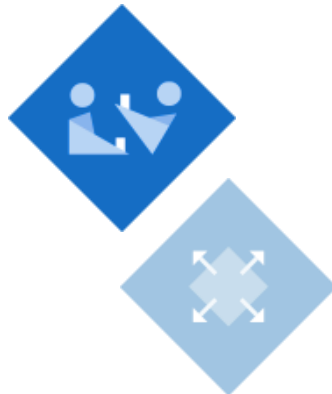
PRODUCTS\* =



= **CORE BUSINESS**  
Liquid in a bottle

\* **Limited editions** and **repack** are not considered as innovations

EXPERIENCES &  
SERVICES\*\* =



= **'NEW BUSINESS'**  
Monetizing experiences & services

\*\*Everything that is **sold in markets (aiming at generate a direct revenue)**. Innovative activations are not considered as innovations





## 2.1 Innovations\* IN & OUT criteria: methodology

**Objective:** Dynamic portfolio management & perimeter based on innovation lifecycles

### NEWNESS FOR CONSUMERS



#### IN innovation

- 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

### TIME IN MARKET



#### OUT innovation

= maximum up to 4/8 years in market



FAST GROWTH:  
up to 4 years post market introduction



SLOW BUILD:  
up to 8 years post market introduction



(**NEW**) RANGES with innovations:  
up to 8 years after market introduction of the first SKU

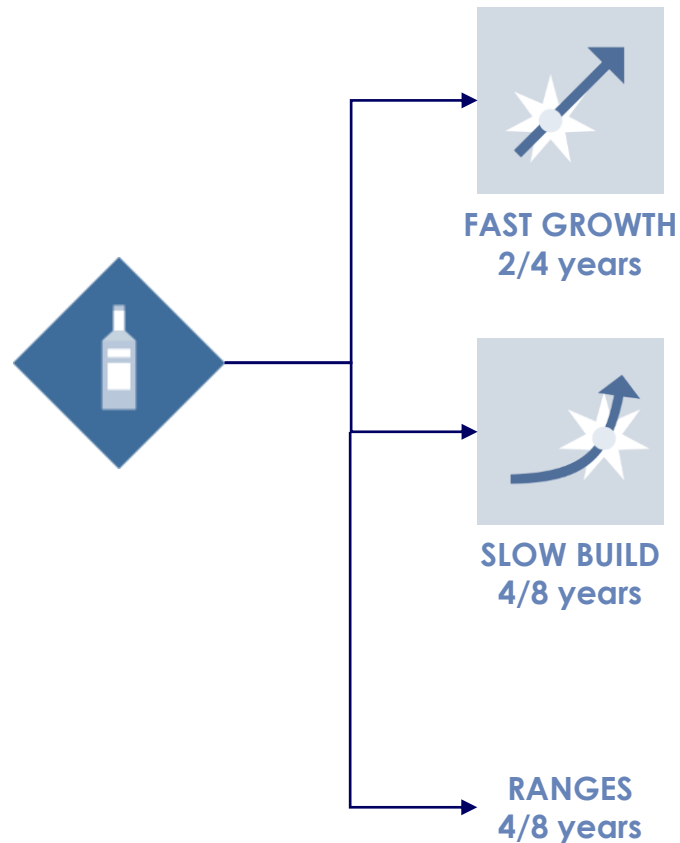
(NB: exceptions can be made based on COMEX decision)

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



## 2.2 Fast Growth and Slow Build definitions

Supporting each innovation model to maximize our ROI



- 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: reaching >200Kcs rapidly after launch

- 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 inflexion point is reached due to strong advocacy
- ROI: mid/long-term payback after inflexion 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 (see 2.1 In / Out criteria)

### External Example



### Internal Examples



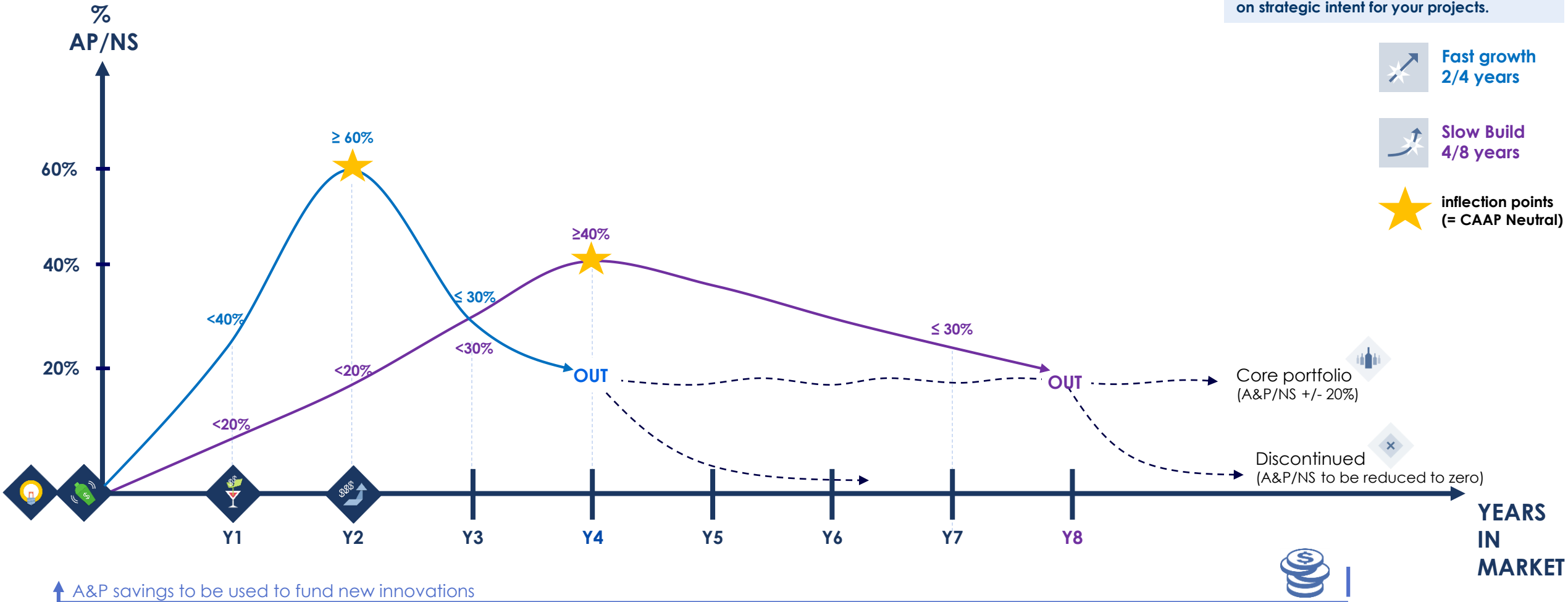


## 2.3 Innovation lifecycles & investment models

NB: these are ideal scenarii

NB: this is a theoretical model based on learnings from A15 to A18 on Pernod Ricard innovations.

**You may encounter variations depending on strategic intent for your projects.**

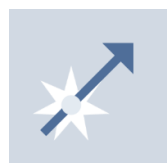




# 3. FY19 BIG BETS portfolio

15 innovations, 5 new entrants, validated by COMEX in Feb 2018

FAST GROWTH



2/4 years

SLOW BUILD



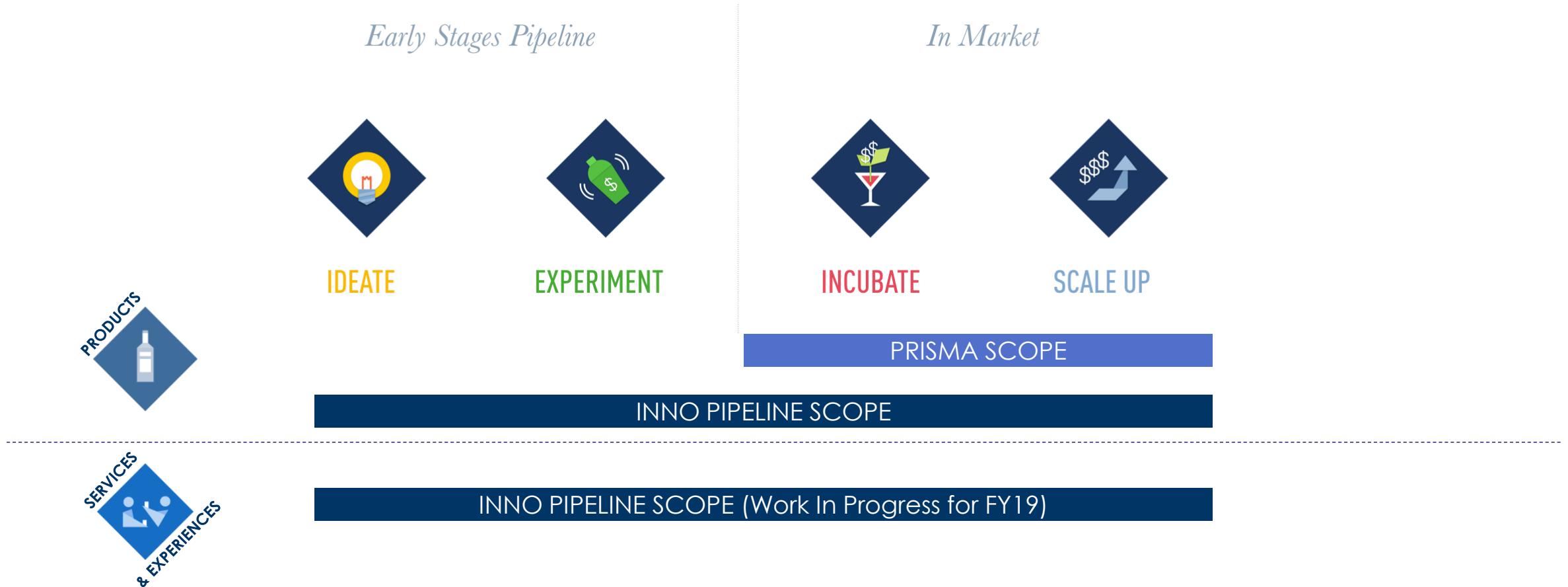
4/8 years

GLOBAL BETS	REGIONNAL BETS			TRAVEL RETAIL
	NORTH AMERICA	EMEA LATAM	ASIA	
				 
			 Excl. India	





## 4. Innovation tracking, Prisma and the Innovation Pipeline



**NB: Prisma scope covers 80-90% PRODUCT projects in markets**

**Innovation Pipeline has full coverage of all projects throughout their journey of development**



# 4.1 Prisma FY19 perimeter

A new structure facilitating portfolio management

## 1. BIG BETS:

- Updated FY19 portfolio
- List per regional order (Global, North America, EMEA/LATAM, Asia, Travel Retail)

## 2. CONTRIBUTORS:

For a more granular tracking and facilitated legibility, contributors have been split into 4 sections:

- Fast Growth
- Slow Build
- Ranges
- Wines

See with your local / global finance team for final list,  
or contact us directly

FINAL LIST AVAILABLE





## 4.2 The Innovation Pipeline

A platform to capture & consolidate all Pernod Ricard innovations

### User experience

250+ users

Capturing Products,  
Services and Experiences

230 projects (products)

Smart Data

17 projects (Experiences &  
services)



- Key tool to piloting our Group wide approach and capturing the key learnings in one place
  - Visibility & tracking of all projects facilitating greater arbitration



**We've come a long way in ensuring Innovation is an key accelerator to generate real value for our consumers, our customers, and ultimately our shareholders.**

**For any questions or support, don't hesitate to contact us directly.**



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**Thank  
You!!!**

**to all your teams esp.  
marketing and financial**