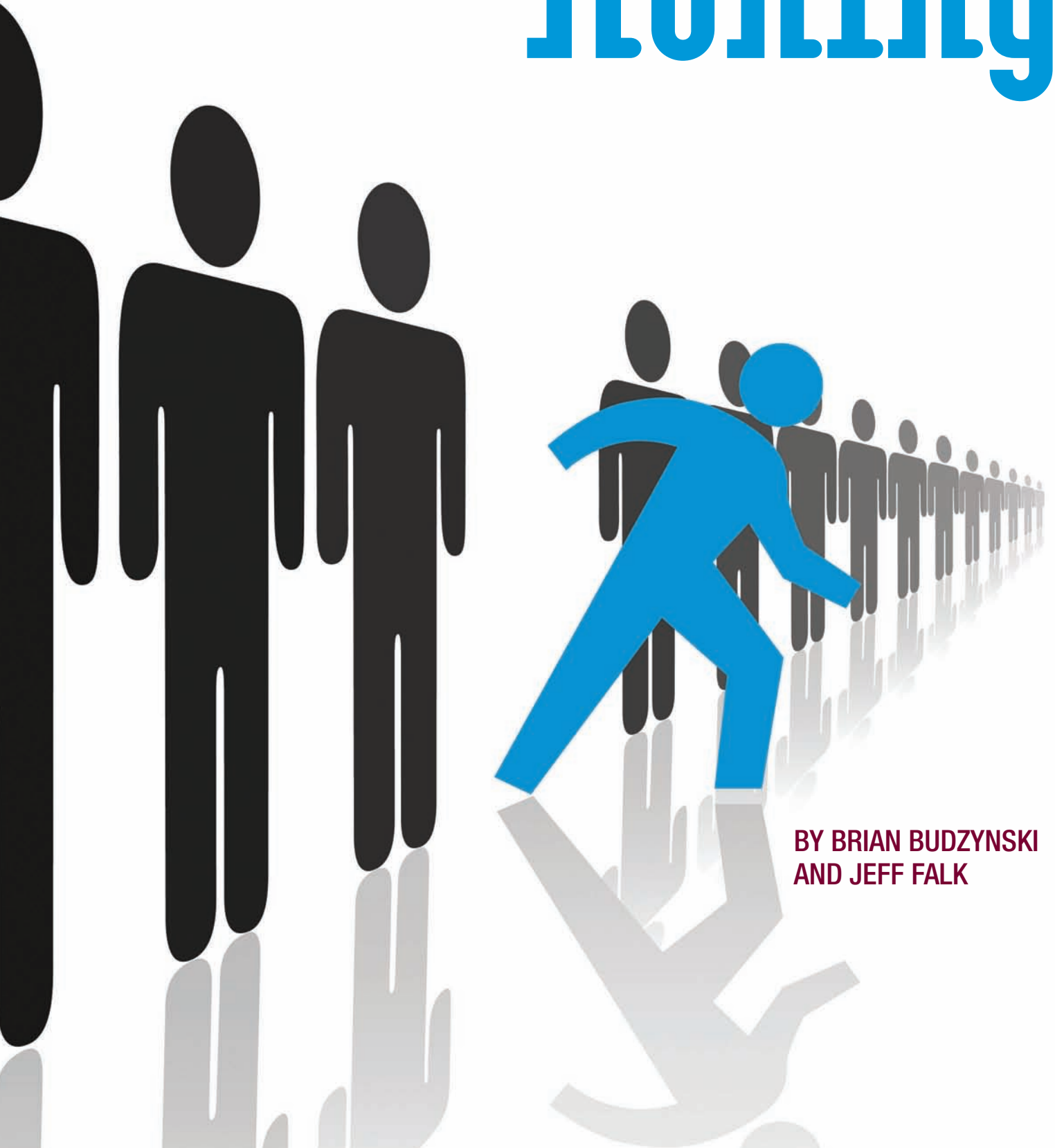


Honing



**BY BRIAN BUDZYNSKI
AND JEFF FALK**

a Competitive Edge

Innovation is the development of a competitive edge. It's a linchpin in creating successful business, and includes a willingness to implement new business models, develop new brand experiences and create new strategic partnerships.

As part of its editorial focus, *GCI* magazine celebrates innovation in each issue. However, the May issue has become the forum for an annual appraisal of the nature and impact of innovation, and allows the opportunity to recognize companies and individuals whose choices, work and thinking will leave a deep and long-term impact on the industry.

Innovation has become a powerful word across industries, and one that is in danger, if not already teetering on the edge, of becoming so frequently and haphazardly used that it loses concrete meaning. The word has been defined by what it must do in business terms—be a profitable improvement.

In the January 2007 issue, Michael Overstreet cites www.getfuturethink.com, which lays out eight basic underlying facets of innovation—including the implementation of new business models, the development of new brand experiences and the creation of new strategic partnerships. Overstreet notes, “the challenge for companies is to develop an innovation strategy that will allow them to compete and succeed in a constantly changing world,” and, “it comes from organizations that promote critical thinking and challenge traditional theory and practice.”

In 2009, *GCI* magazine would like to share brief appraisals of Elevance Renewable Sciences, Inc.; the Monell Center; and Beiersdorf AG for your consideration of innovation.

Elevance is a company working to successfully bridge the renewables and chemicals industries by transforming natural renewable plant-based oils into specialty

chemical products while transforming industrial science into a collaborative effort that takes its lead from nature.

The Monell Center is a nonprofit independent scientific institute dedicated to interdisciplinary basic research on the senses of taste, smell and chemosensory irritation. Its research is open. The

Continued focus on collaboration impacts the basic underlying facets of innovation to become key to success.

connections its explorations reveal are indicative of the critical thinking that will propel the creation of products that intrigue the 21st century consumer.

Beiersdorf looked outward to consider the needs of the global market and the opportunities it afforded; then looked inward at its strength and the brand experiences it offered and exploited those to create a very bright story in a dark economic storm.

Elevance Renewable Sciences, Inc.

Elevance Renewable Sciences, formed in 2008 to institutionalize work begun in 2004 in collaboration between Cargill and Materia, is a technology organization

leveraging patents from the California Institute of Technology to catalyze the commercial production of renewable chemicals. And though that bare-bones bio statement is intriguing in its own right—along with the leveraged technology itself—the continued focus on collaboration touches on or impacts the basic underlying facets of innovation already mentioned and, therefore, is the model and execution that is likely crucial to widespread success of companies in the business and economic environment in which everyone operates.

In Elevance's case, it has built and executed innovation on top of innovation. The olefin metathesis chemistry it commercialized is driven by the Nobel Prize winning technology developed by Materia and Nobel Laureate Robert H. Grubbs, PhD, of the California Institute of Technology. The next generation catalyst technology allows the carbon atoms in natural oils to swap places, thereby enabling new chemical compounds and manufacturing processes once thought to be impossible.

But that was only the first step, and acts as the core around which the business model was built. The company was created on the premise that a high performance, renewable, asset-light, partnership-based business model will provide it with a unique market position with a defensible advantage in the \$500 billion dollar specialty chemical market—of which the company aspires to achieve \$1 billion in revenues by 2016.

“The next big step was able to be reached because companies were able to recognize the potential,” said K'Lynne Johnson, CEO, Elevance Renewable Sciences. “We believe we embrace innovation equally in two

aspects of how we do business. One is about the product we create, and the second is the ability to create collaboration. We think that collaborators are critical because they enable new thinking and approaches, and products can be brought to market much more quickly.

“It is still novel, but across the industries, we are seeing incredible appetite for innovative solutions, and because there is such a strong appetite, people are willing to step back and look at relationships in different ways. This current economic environment is making companies more receptive to accomplishing solutions in collaborative ways,” says Johnson.

Adds Andy Shafer, EVP, sales and market development, Elevance, “The other piece that comes up is tremendous value that’s created. You are not doing something that someone else can do better, so you both end up achieving much more value in what you’re trying to do.”

Elevance’s business model has three tenets, expressing its commitment to its partners, its role in the chemical industry and dedication

to the wants of the end consumers:

- Committed to advancing partners’ businesses with new, better-performing products.
- Positively reshaping the way people think about chemical ingredients.
- Valuing how people live and their desires to be responsible consumers.

“The points in the model integrate to a belief that when you approach a market or opportunity, the way you get there is through collaboration and innovation—and being really committed to solutions,” said Johnson. “And when you have that kind of anchoring, you end up with results that meet the goals of all three.”

“It’s about mind-set,” says Shafer. “If you come to the table with an expansive mind-set that this can be done, then it can. When you come to the table with an ‘I win, you lose’ mind-set, you find those things become quite elusive.”

“We found that there really are win-win partnerships,” adds Johnson. “Partners engage in a way in which [the three

points of the model] are much more possible. That’s a challenge for many small companies. They are so worried about being successful or partnering with a big company that they self-limit, to some extent, the possibilities that can be created.”

While honing the ways in which it fosters this model, the company, like so many others, is still exploring the way to use terms so important in today’s marketplace—such as renewable, sustainable and natural, which are often used interchangeably.

“We haven’t gotten very rigorous in our language or thinking about this space in the industry. We haven’t defined exactly where the boundaries exist,” says Johnson. “People are committed to the products they are using and the way they are interacting with those products—demonstrating an underlying value to be using products that they feel benefit themselves, their families and the environment. What we need to do is educate, and come to more consensus in the use of words and the value of them.”

“The challenge, as an industry, is we present something of value to our customers,” adds Shafer. “All of those terms represent an opportunity for new thinking to how things were done in the past and for what we might do in the future. I think that goes back to using that ambiguity for opportunity to innovate and think differently. That creates opportunity.”

The Monell Center

Founded in 1968 as an interest of the University of Pennsylvania, the Monell Center is an independent research institute dedicated to basic research on how senses work, their basic functions and what role they play in human perception. The research delves into how chemicals as tastes, aromas and irritants are perceived, and how the liking and preference for these different stimuli are formed. The study of the outcomes of this research and welcoming them as guides to product creation could be key in connecting with future consumers in

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— K’Lynne Johnson

a way that current beauty products simply cannot. Consider, Monell Center’s research explores neuroscience and molecular biology, which facilitate insights into how receptors on the tongue, nose or skin react to stimuli and how a chemical contact with a cellular receptor becomes an event in the nervous system and information processed in the brain. It is conceivable, therefore, that products may be created to carry specific, targeted information—in addition to providing a physical benefit.

Among its current studies, the Monell Center is looking at perceptions of body odor and the subsequent effect on fragrance development. According to the center, an increasing number of studies suggests that olfactory information plays a significant role in daily decisions. But before even considering perception and the influence of an odor stimulant, the task of understanding how humans, who possess at least 300 different receptors, can detect thousands of different aromas is a daunting undertaking—which the Monell Center has accepted—along with identifying the genes that encode proteins essential to taste and olfactory transduction and the roles of chemical signals, including individual “odortypes,” in human reproductive behavior and social communication.

As compelling as the actual work it performs, the Monell Center research is open; none is kept proprietary—though the center’s 55 sponsors from government and educational entities who supplement research funding do have certain first rights of refusal for new technologies or applications.

Beiersdorf AG

The recent global economic downturn has spurred many companies, both large and small, to curtail marketing and product development campaigns, in efforts to stabilize profit margins and shore up consumer confidence with regard to corporate fiscal responsibility. Rarer, though, are companies assured enough to recognize their own competitive advantage—and to exploit such advantage with the overwhelming success that Beiersdorf had in 2008 by focusing on and applying marketing and developmental muscle to its flagship Nivea brand line.

Cognizant of economic realities, Beiersdorf is nonetheless focused soundly on the future—one of profitability and growth. Said executive board chairman Thomas-B. Quaas, “We expect the global market to contract slightly. However, we are confident that we shall again succeed in outperforming the market in 2009, and are, therefore, forecasting sales for the consumer business segment that are

slightly in excess of last year.”

The company chose a strategy that proved the viability and growth power of an established brand—spearheaded by a clear, focused message and action plan—leads to ongoing, indisputable business success.

The company, in fact, focused on the development of skin and beauty care to improve its position across beauty markets clear in late 2008 through the sale of a number of brands not reconcilable with this strategy.

In 2008, the Germany-based company posted group sales of €5,971 million, a 7.5% growth over 2007 (€5,507 million) and the highest recorded in the company’s 125-year history, yielding a post-tax profit of €567 million. Utilizing its “Passion for Success” strategy—which synthesizes branding, supply chain, geographic market positioning and performative innovation—the company fueled a global marketing machine behind its Nivea brand—and realized double-digit increases in every positioned market, culminating in 10% worldwide growth. Backed by this

strategic matrix, the company unveiled several innovative products, including the Nivea Visage Expert Lift and Nivea Beautiful Age lines specifically for women over 50, and expanded its Nivea For Men line with Silver Protect deodorant, for example, which uses silver molecules to actively combat bacteria. And if such success were not enough, Nivea was voted Most Trusted Skin Care Brand by the readers of *Reader’s Digest* magazine, in all three categories—skin care, cosmetics and hair care. ■ **GCI**



BRIAN W. BUDZYNSKI is managing editor of *GCI* magazine.



JEFF FALK is senior editor of *GCI* magazine.