This whitepaper introduces the techniques and tools required to manage the creativity process involved in new food product development and innovation. It focuses on how new ideas and concepts are generated, managed and selected.


1 

INTRODUCTION TO FOOD INNOVATION

Innovation is the lifeblood of the food industry and is essential for ensuring profitability and survival. Consumer demands and expectations are constantly evolving and retailers are seeking new products to meet these needs. Companies who have a clear understanding of the consumer and market place will emerge as strong and sustainable businesses. To achieve, food companies must have in place a formal, market focused innovation system to actively manage all stages of the process.

This whitepaper details how to implement a structured approach to generating new ideas, selecting those ideas which meet consumer needs, the strategic requirements of your business and effective management of innovation within the organization.

1.1 The Importance of Innovation

Innovation makes a significant difference to a food business. If you do not change what you offer the market, the market will leave you behind. In short, survival is not compulsory. Food businesses that survive and grow do so because they are capable of change. This change leads to a continuous meeting of consumer needs and therefore growth. It is generally accepted by economists that a large portion of any nation’s economic growth is generated by new ideas and innovation.

When these new ideas are slow or absent, economies tend to be stagnant. For established businesses, the need for innovation poses a problem. Innovation offers huge challenges and opportunities, but is by its very nature a risky business. Often it is affected by factors beyond the direct control of the company. Most food businesses fail because they don’t see or recognise the need for change. They tend to be inward looking and fail to take the time to see the bigger picture. Innovation is a strategic resource. It can help the food business get to where it wants to go. But it does not happen by accident. It can be a complex process that carries significant risk and requires robust and systematic management.

1.2 What is Innovation?

What is Innovation? Simply put, Innovation is the process of translating ideas into useful, and used, new food products, processes or services. The word innovation means different things to different people. However, it is possible to categorise innovation under four general areas: radically new innovation, a line extension to an existing product, an adaptation of an existing product, and innovation imitations.

The last three examples are more typical of innovation activities conducted in food businesses. It is clear from these examples that not all new products need to be highly technical. Line extensions, packaging changes and good positioning can also provide companies with the opportunity to succeed. The key requirements for all of the above examples is a clear understanding and awareness of the consumer and the market place.
Simply wishing for innovation will not make it happen. Innovation is a process and it needs to be actively managed. In essence, Innovation involves about three core phases: 1. Generating new ideas, 2. Selecting the good ones, and 3. Implementing them.
Success in innovation depends upon two key ingredients:

- Resources: people, equipment, knowledge, money, etc.
- Capabilities within the food business to manage them.

Reasons for innovation failures can be defined as follows:

- Poor market orientation.
- Lack of consumer and trade research.
- Poor product performance.
- High marketing costs, e.g. branded goods.
- Inadequate distribution and weak links with buyers.
- Inefficient management of NPD/innovation and lack of a structured innovation management system.

Many new food products fail because manufacturers have little understanding of the real needs of the consumer and the opportunities in the market place when a new idea is being conceived.

Therefore, there needs to be a close link between innovation and market intelligence to ensure products are developed to fulfil and meet market gaps.

In other words, businesses conducting innovation activities should be market led rather than production driven. Just because you can make it does not mean you should. Consumer demand is the key. Successful food businesses may be characterised as those who have adopted innovation (in addition to other good management practices) as part of their business culture, are market led and possess a capability to identify, select and develop new ideas in a timely and cost effective manner. These competencies do not happen by accident. They are led from the top down within the organization and become part of the day-to-day job with everyone in the business involved at some level.

1.4 What can be Managed and Changed?

Innovation can take many forms but can be defined as four dimensions of change. (The 4 P’s of Innovation.)

- **Product Innovation**: changes in the products made by the food company.
- **Process Innovation**: changes in the ways in which products are created and delivered.
- **Position Innovation**: changes in the context in which the products are introduced.
- **Paradigm Innovation**: changes in the underlying mental models which frame what the company does.

The innovation may be incremental or radical in nature. The degree of novelty is important in terms of the resources and capabilities required. Updating an existing product with a new flavour is not the same as developing a completely new functional food product with specific health benefits. Innovation may be focused on developing processes or packaging.
For example, developing a new mixing process that reduces the mixing time of ingredients while reducing aeration may be innovative for a business that has traditionally mixed batches by hand. The introduction of smart packaging that tells the consumer the product has expired may be highly innovative for a business traditionally packing cooked ham slices in vacuum packs.

How we think about something impacts greatly on how we manage it. If we have a simple mental model of innovation, e.g. recipe development, we will tend to focus our management resources on that activity. The food business must ensure that their mental model of innovation covers all the phases and steps required for success. These phases are indicated in the following model.

Table: Innovation Model (3 Phases)

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generate</td>
<td><strong>Generate innovative possibilities</strong>&lt;br&gt;In this phase you will scan and search the environment ([Internal and External]) to pick up and process signals about potential innovations. These could be of various kinds, or opportunities arising from research activities somewhere, or pressures to conform to food legislation, or the behaviours of competitors. These represent the stimuli to which the company must respond.</td>
</tr>
<tr>
<td>Select</td>
<td><strong>Select strategically from these options</strong>&lt;br&gt;Strategically select from this set of potential triggers for innovation, i.e. those ideas which the company will commit resources to doing. Even the best resourced food business can't do everything, so the challenge lies in selecting those things which offer the best chance of developing a competitive edge.</td>
</tr>
<tr>
<td>Implement</td>
<td><strong>Implement &amp; make innovation happen</strong>&lt;br&gt;Having chosen an option, the food business needs to grow it from an idea through various stages of development to final launch. This will either be a new product or service in the external market or a new process or method in the internal organization. On the way you will have to solve a number of problems (like where to get hold of knowledge you need, how to find and integrate different groups of people with key skills, how to get the bugs and wrinkles out of the innovation, how to steer the project against tight budgets etc.) and you have to do all this against a background of high uncertainty.</td>
</tr>
</tbody>
</table>

1.5 Creating the Conditions for Effective Innovation

The basic objective of Innovation is turning ideas into reality. But this process does not take place in a vacuum – it is subject to a range of internal and external influences which shape what is possible and what actually emerges. It is vital that we understand the context of success. There are a number of pre-requisites which should be both understood and in place before any serious innovation activities commences. These include:

- **Strategy**: Clear strategic leadership and direction, and commitment of resources
- **Organization**: Innovative organization, and facilitation of creativity and innovation processes
- **Linkages**: Proactive links across boundaries, both internally and externally
Modern innovation is not a solo run. The Food Innovator's main skill will be their ability to create and develop linkages with other sources of skills and knowledge. They will have the ability to communicate with other members in their own organization and contacts from a wide range of external agencies, suppliers, customers, etc. The Food Innovator will be able to bring this information and data together, communicate it effectively and integrate it into the innovation project and business. We can now update our Innovation Management Model to include the above.

<table>
<thead>
<tr>
<th>Conditions for Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy</strong></td>
</tr>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td><strong>Linkages</strong></td>
</tr>
</tbody>
</table>

Figure: Innovation Management Model

```
Strategic leadership, direction and deployment

Proactive Linkages

Generate > Select > Implement

Innovation organisation
```
Our refined model for Innovation in a food business now includes the need to have a clear business strategy, an organization to support the innovation process and the necessity to have proactive linkages with a wide variety of contacts and sources. Once these are in place the development phases of ‘Generate, Select and Implement’ can be applied effectively. Key to all this is the role of the Food Innovator. We will now move on to discuss this model in more detail.

2 STRATEGIC LEADERSHIP, DIRECTION AND DEPLOYMENT

2.1 Overview

Building a capability to organise and manage innovation is a great achievement – but unless that capability is pointed in a sustainable direction the organization risks losing its way in terms of innovation. The key question for any food business is how to gain and maintain competitive advantage? The use of Innovation is clear in doing this; however, selecting which innovation strategy to pursue is not so easy. There are many factors both internal and external that affect a food business and the management of the company must decide on how best to deploy resources for innovation in a dynamic market place. Having a clear business strategy will assist you in making sure you are on the correct path. Strategy is a process of exploring the space within which the business operates.

2.2 Success Criteria

Why are some food companies very successful, others moderately or marginally successful and others failures: What is it about an organization that tends to make it a winner or a loser? There is no management theory that guarantees success but studies do point directly to the conclusion that it is managers and management that make an organization perform. The following are observed managerial differences between successful and unsuccessful food companies.

**Table:** What makes a successful food business?

<table>
<thead>
<tr>
<th>Successful Food Businesses</th>
<th>Unsuccessful Food Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies work hard at developing a clear sense of direction and at defining what the company intends to do and to become.</td>
<td>Companies appear less able to escape from operating problems long enough to give their company a purposeful direction.</td>
</tr>
<tr>
<td>Companies formulate an opportune and astute strategy for accomplishing the organization’s purpose and mission and implement it through unified policy criteria.</td>
<td>Most of the time is spent fire fighting and dealing with administrative matters.</td>
</tr>
<tr>
<td>Companies understand what business they are in, who their customers are and what are their buyers’ wants and needs.</td>
<td>Companies have no comprehensive game plan (Strategy).</td>
</tr>
<tr>
<td>Companies are opportunities orientated.</td>
<td>Companies are less perceptive about how’s and why’s of the market.</td>
</tr>
<tr>
<td>Companies are problem focused.</td>
<td></td>
</tr>
</tbody>
</table>
2.3 Factors Impacting on Food Businesses

The typical food business operates in an environment with many different factors impacting on its success and performance. In order to formulate a business strategy which seeks to develop innovation capacity, the company must be aware and formulate an appropriate strategy to deal with these factors. The objective always remains sustainable growth.

Figure (above): Factors Impacting on Food Businesses

2.4 What is Strategic Planning?

Simply put, strategic planning identifies where the organization is going and how it's going to get there. The "strategic" part of this planning process is the continual attention to current changes in the organization and its environment, and how this affects the future of the organization. Skills in strategic planning are critical to the long-term success of your organization.

This form of planning includes:

- Taking a wide look around at what is going on outside the organization and how it might affect the organization - opportunities and threats (an environmental scan).
- Taking a hard look at what is going on inside the organization, including its strengths and weaknesses (SWOT analysis).
- Establishing statements of mission, vision and values.
- Establishing goals to accomplish over the next (usually) three years or so, as a result of what's going on inside and outside the organization.
- Identifying how those goals will be reached (strategies, objectives, responsibilities and timelines).
Strategic planning determines the overall direction and goals of the organization. Consequently, strategic planning influences numerous aspects of the organization, including what:

- Products and services will be provided by the business and how those products and services will be designed.
- Organizational design and roles are needed.
- Performance goals are established for positions throughout the business.
- Resources are needed to reach those goals and consequently how much money is needed to procure those resources -- ultimately, the goals determine the content of various budgets.

The planning process is at least as important as the planning document itself. The planning process is never "done" -- the planning process is a continuous cycle that is part of the management process itself.

**Benefits of Strategic Planning**

Strategic planning serves a variety of purposes in an organization, including to:

- Clearly define the purpose of the organization and to establish realistic goals and objectives consistent with that mission in a defined time frame within the organization’s capacity for implementation.
- Communicate those goals and objectives to the organization’s constituents. Develop a sense of ownership of the plan.
- Ensure the most effective use is made of the organization’s resources by focusing the resources on the key priorities.
- Provide a base from which progress can be measured and establish a mechanism for informed change when needed.
- Bring together everyone's best and most reasoned efforts.

Strategic planning also:

- Provides clearer focus of organization, producing more efficiency and effectiveness.
- Bridges staff and board of directors.
- Builds strong teams.
- Provides the glue that keeps the management together.
- Produces great satisfaction among planners around a common vision.
- Increases productivity from increased efficiency and effectiveness. Solves major problems.
Preparing for Strategic Planning

As with any major effort, a planning process has its proper time and place in the organization. There are certain organizational elements that must be in place in order to ensure that the planning process provides the maximum benefit to the organization. It is important to be candid when assessing the organization’s readiness to engage in the planning process. Even if you get half way through the planning process before you realize that the organization is not ready, stop and remedy the situation before continuing with the process. Unfortunately, many organizations plan when the organization is not ready. They always have an unsatisfactory planning process. The following are important:

- Commitment from an active and involved leadership.
- The resolution of major crises that may interfere with the process.
- A management team not embroiled in extreme, destructive conflict.
- A management team who understand the purpose of planning and what it can and cannot accomplish, as well as consensus about expectations.
- A commitment of resources to adequately assess current programs and the ability to meet current and future client needs.
- A willingness to question the status quo and to look at new approaches to performing and evaluating the "business" of the organization.

Steps to Prepare for Planning

It should be remembered that it is not necessarily the responsibility of the Food Innovator to prepare the strategic plan for the business. This is always the responsibility of the Owners / Directors and key stakeholders. However, the Food Innovator may have an important role in facilitating the development of such a plan. The steps in preparing a strategic plan usually follow these steps.

- Obtain a formal commitment to conduct planning, including education of senior management and staff, if necessary
- Select a strategic management team, a combination of visionaries and "actionaries," or a planning liaison to spearhead the process
- Develop a work plan or a plan that outlines who is responsible for each outcome and time frames
- Consider the adequate level of resources (money and time) required to conduct an appropriate planning process
The Role of an External Consultant

For an organization with little or no experience in planning, an external consultant can enhance the planning process by providing the following services:

- Facilitate retreats, meetings and the planning process as a whole: The use of a consultant to serve as a facilitator is one method of ensuring that good ideas do not get lost in the emotion of the process or personalities of the participants.

- Work with the company to minimize planning barriers that impact on effectiveness.

- It is critical for everyone involved in the planning process to be speaking the same language and using the same planning tools. External consultants can provide that conduit of information flow and education.

- Provide an objective and different perspective in the process: As an outsider to the organization, the consultant can ask questions and challenge existing traditions, assumptions, and routines more objectively than staff and board members.

Conducting Strategic Planning

There are a number of steps involved in the process of strategic planning, but remember there is no ‘perfect’ model. Use the approach that suits your business. The process might be implemented in one year to get a sense of how planning is conducted, and then embellished in later years with more planning phases and activities to ensure a well-rounded direction. Planning is usually carried out by top-level management. The basic strategic planning process includes:

2.5 Develop a Mission Statement

Mission statement is a description in words that conjures up the key stakeholders vision and objectives of the business; ‘what do we want to do?’ or, ‘where do we see ourselves in the years to come?’ There is one universal rule of planning: You will never be greater than the vision that guides you.

No Olympic athlete ever got to the Olympics by mistake; a compelling vision of his or her stellar performance inevitably guides all the sweat and tears for many years. The vision statement should require the organization’s members to stretch their expectations, aspirations, and performance. Without that powerful, attractive, valuable vision, why bother?

Example of Mission Statement

Our mission is to grow and compete in the Irish and UK market by exceeding customer expectations with our high quality, delicious and innovative food products.

This will be achieved by focusing on leadership, innovation, value for money and a team approach dedicated to continuously improving and developing new products.

We are committed to our staff and their development in helping the company achieve its mission.
Conduct External/Internal assessment to identify “SWOT”

Strategic planning must include an assessment of the organization's environment because no organization operates in a vacuum. The very definition of strategic planning stresses the importance of focusing on the future within the context of an ever-changing environment - the myriad of political, economic, social, technological, demographic, and legal forces that change our world daily.

Skill at assessing the environment and then being proactive in responding to that environment (i.e. strategic planning, thinking, and management) determines who is effective in using their resources and, ultimately, who survives. The situation assessment outlines the process of gathering and analyzing the information needed to make an explicit evaluation of an organization in its environment. The situation assessment includes the following activities:

- Collecting internal and external stakeholders' perceptions about the organization
- Evaluating program impact on clients
- Evaluating programs through cost/benefit analysis
- Analyzing programs through competitive analysis
- Defining previous implied strategies

At the conclusion of a situation analysis, a company will have a database of quality information that can be used to make decisions and a list of critical issues which demand a response from the organization - the most important issues the organization needs to deal with in the strategic planning process.

Gathering Perceptions about the Organization

Part of getting a clear view of the environment and dynamics of an organization is to look at it through others' eyes; both internal and external stakeholders' perceptions of the organization will add valuable information to the situation assessment. The SWOT technique, a simple and effective vehicle for collecting this information, helps focus the process by breaking it down into four broad categories:

- **S** - What are the organization's internal *Strengths*?
- **W** - What are the organization's internal *Weaknesses*?
- **O** - What external *Opportunities* might move the organization forward?
- **T** - What external *Threats* might hold the organization back?

Evaluating an organization's general strengths and weaknesses, as well as the strengths and weaknesses specific to each of its programs, typically includes assessments of:

- Staff and management capabilities
- Quality of programs
- Reputation of both the organization and individual programs
- Management information and financial systems
- Office facilities and equipment, etc.
Successful organizations exploit strengths rather than just focus on weaknesses. In other words, this process isn’t just about fixing the things that are wrong, but also nurturing what is right. The same kind of thinking should apply to how an organization approaches its opportunities and threats -- the external trends that influence the organization.

These are usually categorized into political, economic, social, technological, demographic and legal forces. These external forces include such circumstances as changing consumer needs, increased competition, changing regulations, and so on. They can either help an organization move forward (opportunities) or hold an organization back (threats) - but opportunities that are ignored can become threats, and threats that are dealt with appropriately can be turned into opportunities.

Gathering Board and Staff Perceptions of the Organization

Since SWOT analysis is a primary means of receiving input from a broad and representative constituency, it is important to include as many staff and board (your internal stakeholders) as possible in this process. Their ideas and opinions might be collected through questionnaires, telephone or in-person interviews, facilitated organization-wide or small-group meetings, or a combination of these methods.

Some organizations have board and staff meet together to discuss their ideas and opinions, while others have them meet separately. A common and useful approach used during meetings is to brainstorm ideas onto flipcharts. After the lists of strengths, weaknesses, opportunities, and threats have been recorded, the listed ideas can be grouped into logical topic or issue groups (e.g., all the ideas related to staffing or program development should be grouped together to make the data easier to present and analyze.

Gathering External Stakeholders' Perceptions

Just as the above SWOT assessment allows an organization to collect a wide variety of perceptions from internal stakeholders, a SWOT assessment of those outside the organization can also add a great deal to the situation analysis. External stakeholders (such as customers, consumers, buyers, funders, community leaders, and potential collaborators) can give the management team insight into opinions of what the organization does well, and where it can improve.

Again, this information might be gathered through telephone or in-person interviews (preferably), questionnaires, or focus groups. In addition to their general perceptions of the organization's strengths, weaknesses, opportunities, and threats, external stakeholders might also be asked some questions specific to their outsider perspective. For example:

- What are the organization's strengths and weaknesses? What opportunities and threats does the organization face?
- What does the stakeholder need or expect (criteria for performance) from the organization?
- How well does the organization perform against those criteria (excellent, good, fair, or poor) and why?
- How well does the organization perform relative to its competitors?
Internal Analysis

Internal analysis (company appraisal) is also known as 'strengths and weaknesses'. These are diagnosed to develop competitive advantage and to minimise weaknesses. It is also useful to rank each strength and weakness in accordance with its importance. Five areas are examined:

<table>
<thead>
<tr>
<th>Finance</th>
<th>Financial analysis deals with factors such as profitability levels and fluctuations, working capital, capital structure and financial management.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and Distribution</td>
<td>Key issues here relate to market share, marketing information systems, product/services quality, new product development, packaging, after sales service and communications - sales force, advertising and promotion.</td>
</tr>
<tr>
<td>Production</td>
<td>Location, facilities, production know how, legal compliance, food safety control, costs, etc.</td>
</tr>
<tr>
<td>Management</td>
<td>Analysis here should cover management skills, expertise and knowledge including capability to handle the next generation of company problems; role of information technology in the business; quality of employees; organization structure; labour relations; role of training and employee development; and extent to which strategy is accepted as a key management tool.</td>
</tr>
<tr>
<td>Research and Development</td>
<td>Analysis, in an Irish context, can be restricted to product/process research capabilities, acquired technology (degree to which it is state of art) and leverage of core/critical technological competence.</td>
</tr>
</tbody>
</table>

Table: Internal Analysis

External Analysis

Threats and opportunities (both present and future) in the business environment over which the company has little or no control play a key role in strategy formulation because from the analysis comes information that facilitates forecasting key variables affecting levels of demand for products. Aspects of the environment that should be analysed include:

- The general food sector
- The bakery sector
- Political and economic trends
- Technology
- Legal
- Social

The Industry (General and Specific). Five forces directly affect competition and profitability. These five forces are:

- Substitutes
- New entrants
- Supplier power
- Buyer power
- Customers
Analysis of all the factors leads to a decision on the future attractiveness of the sector for the company.

**Political and Economic Trends:** Trends in growth, disposable income, interest rates, inflation and taxation, both nationally and internationally, heavily influence demand levels for most food products. Political decisions can directly affect the modus operandi of the bakery industry through changes in legislation governing food safety and hygiene, movement of food goods, work practices, environmental constraints and competition laws.

**Technology:** Trends include not only new products but also improvements in processing, materials and design technology (e.g. GMO’s, Novel Foods). The company should try to forecast the timing of technological changes in the bakery industry and determine how they should react.

**Social:** Social trends include changes in attitudes and values and behavioural patterns. These changes impact on consumer needs, preferences and discernments. Demographic changes must also be considered and their effects on demand levels quantified where possible. For example, in response to changing lifestyles, bakery manufacturers have focused on strengthening the position of the food industry by launching new products such as snack-sized formats.

Figure: Example of SWOT Analysis
2.6 Develop Major Growth Strategies and Set Goals

Based on your analysis, you should be in a position to develop Strategic Growth Strategies. Write down the strategic goals to address the above-identified issues and the more forward-looking, developmental goals. Consider goals over the term of your strategic plan, but look very closely at the next year especially.

Design and word your goals to be "SMARTER", that is, specific, measurable, acceptable to the people working to achieve the goals, realistic, timely, extending the capabilities of those working to achieve the goals and rewarding to them. Don't worry so much about having to specify goals to be exactly "correct". Carefully consider whether the goals and strategies are closely aligned with your mission, vision and values.

As noted above, if you are developing a new organization, then you'll probably have goals to build a board, do a strategic plan, do a market analysis to build a product, hire employees, etc. You'll probably have organization-wide goals (for example, goals in regard to building and running your organization, for example, board development, staffing, getting a new building, etc.) and product-specific goals (goals that are directly in regard to providing products or services to your customers).

Alternative Strategies

The number of strategies open to a food business can be quite large. Strategies can be generated by considering various growth, market, product, production, financial and personnel options. This of course is not done in isolation from the finding of the strengths and weaknesses, threats and opportunities analysis. Past strategies are also a source of strategic choice and can play a key role where risk minimisation is a primary consideration.

Strategies may be divided into the following 3 areas:

- Low cost strategy: using low cost, low perceived value
- Differentiation strategy: Products unique, products different
- Hybrid strategy: Achievement of differentiation at a price lower than competitors

Strategy Evaluation

Obviously the strategy selected must lead to the objectives set being realised, but because of the possible number of strategies that can achieve that goal, a mechanism/procedure must be introduced to rank the various alternatives. Thus, a strategy that exacerbates a main weakness and or minimises a main strength will receive a low score and will not be considered.

2.7 Write Your Plan

The next step is to write your plan. The following points should be of help.
Develop Staffing Plan

Write a rough draft of a staffing plan. To do this, reference each of the strategies to reach the goals and consider what kind of capabilities are needed to implement the strategies. This might seem like a lot of guesswork, particularly if you don’t have experience in supervision. However, don’t worry so much about being exactly correct -- you will likely refine your staffing plan later on as you design and plan your products.

If you are developing a new organization, you might think about including the following typical roles in your initial staffing plan (but again, consider these roles in terms of implementing the strategies in your plan): chief executive, administrative assistant and product managers for each of your major product goals.

Conduct Action Planning [objectives, responsibilities and timelines]

For each strategy, write down the objectives that must be achieved while implementing the strategy, when the objective should be completed and by whom -- especially over the next year. As you identify who will accomplish each of the objectives, you might end up refining your staffing plan.

Develop an Operating Budget for Each Year in the Plan

List the resources you will need to achieve the goals in the strategic plan and what it will cost to obtain and use the resources. You don't have to be exactly accurate -- besides, you may end up changing your budget as you give more attention to product development. You should do a budget for each of the years included in the span of time covered by your strategic plan - but give particular attention to the first year of the time span.

Look at each of your product-related goals. Think about how much revenue the product might generate. Next, think about the expenses to produce, sell and support the product, such as human resources, facilities, equipment, special materials, marketing and promotions, etc. (Note that this budget planning often provides strong input to the overall budget. We’ll likely convert your operating budget to a set of program budgets.)

Associate Strategic Goals to Performance Goals for Board

Write down which members of the management team will be addressing which strategic goals. The managing director should be attending to responsibilities and goals that are directly aligned with the strategic goals of the organization (as should the responsibilities and goals of everyone else in the organization). Therefore, after strategic goals have been identified, it’s timely for the board to update the performance goals of the chief executive (who, in turn, updates the performance goals of everyone else in the management and staff of the organization).

Specify How Implementation of Plan Will Be Monitored and Evaluated

Write down how the status of implementation will be monitored and evaluated. Consider, for example, weekly written status reports to the MD from employees, and monthly written reports to board members. Status will address whether goals and objectives are being met or not, current issues and any resource needed to implement the plan.
Specify How Plan Will Be Communicated

Write down how the plan will be communicated. Consider distributing all (or highlights from) the plan to everyone in the organization. Post your mission on the walls of your main offices. Consider giving each employee a card with the mission statement on it.

What should be in the Strategic Plan Document?

<table>
<thead>
<tr>
<th>Table of contents</th>
<th>The final document should include a table of contents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction by the M.D.</td>
<td>A cover letter from the M.D. introduces the plan to readers. The letter gives a “stamp of approval” to the plan and demonstrates that the organization has achieved a critical level of internal agreement.</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>In one to two pages, this section should summarize the strategic plan: it should reference the mission and vision; highlight the long-range goals (what the organization is seeking to accomplish); and perhaps note the process for developing the plan, as well as thank participants involved in the process. From this summary, readers should understand what is most important about the organization.</td>
</tr>
<tr>
<td>Mission and Vision Statements</td>
<td>These statements can stand alone without any introductory text, because essentially they introduce and define themselves.</td>
</tr>
<tr>
<td>Organization Profile and History</td>
<td>In one or two pages, the reader should learn the story of the organization (key events, triumphs, and changes over time) so that he or she can understand its historical context.</td>
</tr>
<tr>
<td>Critical Issues and Strategies</td>
<td>Sometimes organizations omit this section, choosing instead to “cut to the chase” and simply present goals and objectives. However, the advantage of including this section is that it makes explicit the strategic thinking behind the plan. Board and staff leaders may refer to this document to check their assumptions, and external readers will better understand the organization’s point of view. The section may be presented as a brief outline of ideas or as a narrative that covers several pages.</td>
</tr>
<tr>
<td>Program Goals and Objectives</td>
<td>In many ways the program goals and objectives are the heart of the strategic plan. Mission and vision answer the big questions about why the organization exists and how it seeks to benefit society, but the goals and objectives are the plan of action – what the organization intends to “do” over the next few years. As such, this section should serve as a useful guide for operational planning and a reference for evaluation. For clarity of presentation, it makes sense to group the goals and objectives by program unit if the organization has only a few programs. The goals and objectives will be delineated at both the group level and the individual program level.</td>
</tr>
<tr>
<td>Management Goals and Objectives</td>
<td>In this section the management functions are separated from the program functions to emphasise the distinction between service goals and organization development goals. This gives the reader a clearer understanding both of the difference and the relationship between the two sets of objectives, and enhances the “guiding” function of the plan.</td>
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<tr>
<td>Appendices</td>
<td>The reason to include any appendices is to provide needed documentation for interested readers. Perhaps no appendices are truly necessary (many organizations opt for brevity). They should be included only if they will truly enhance readers’ understanding of the plan, e.g. financial projections.</td>
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3 INNOVATION ORGANIZATION

3.1 Overview

For innovation to work, it must be supported by an organization capable of managing the process while allowing an innovative culture to flourish. For a food business seeking to use innovation as a competitive advantage, a number of key organizational elements should be in place.

The Food Innovator:
- The leader who drives and manages the innovation effort
- Acts as the 'spider in the web'

The Innovation Team
- Cross functional
- Each member should be aware of their function and role

A Climate for Innovation
- The culture of the business should encourage the free flow of ideas and support development of these ideas

3.2 The Food Innovator

The food industry has struggled to meet expectations in regard to innovation. Numerous government and agency reports over the last 15 years have all identified the lack of innovation as a barrier to developing the sector. There are many reasons for this including the lack of key internal skills within food businesses capable of bringing together and focusing the various functions required for successful innovation.

When food businesses decided to develop new products they frequently turn to the Food Technologist to undertake the tasks required. The success of this approach varies from business to business but in time the company comes to recognise that the range of skills required to manage the project extend beyond the core skills of a food technologist.

The existing role of the food technologist has evolved over decades as the needs of the food industry have changed. The typical food technologist has received four years third level education in a basic food science discipline such as food science, food technology or food engineering. Their role in a food company can be characterised as:
- Focused on process and product conformance to a set of performance and control standards (Inspection and Testing).
- Requiring a skills set based on food science and technology in a 'pure' form, i.e. testing methods, laboratory skills etc.
- Not requiring initiative or thinking beyond the routine element of the job.
• Changing as demands of the food supply chain have forced the technologist towards areas not within their core competency.

• Having a low value added content—viewed by many owner managers as a direct cost on the bottom line.

Current third level programmes focus on developing graduates with one core area of competency, i.e. food science/technology, engineering etc. and ignore the other skills required for effective innovation. Another issue faced by food businesses is how to get the various functions to work together towards a common innovation objective. Again many companies look to the food technologist to lead and organise the development of the project without having the necessary skills to do so. Clearly, the Food Innovator needs to possess a range of skills.

3.3 Skills of the Food Innovator

In order to build strong innovative food businesses, there is a need to develop a person who possesses the required mix of skills to manage and drive internal food innovation projects. This person is the Food Innovator.

The Food Innovator is a Food Technologist / Scientist who possesses core food science and technology knowledge underpinned by communication, business and project management skills necessary for the effective development and commercialization of innovation projects.

The Food Innovator, using their core scientific knowledge, manages innovation projects within the food businesses. They possess the ability to organise, direct and manage other functions in the business towards the objective of developing new innovative projects towards a successful outcome.

To do this the Food Innovator must also be skilled in personal communication, project management, business and marketing skills. The Food Innovator is effectively an Entrepreneur at heart. They are creative and open to the skills and efforts of others in the organization. They are capable of listening and persuading and getting their message across. They recognise opportunities and have an innate sense of risk and reward.
Needless to say, a person who possesses all of the above skills is rare. However, the Food Innovator is typically aware of their strengths and weaknesses in this regard and strives to gain improvement where necessary.

### 3.4 Developing Individual Creativity

Studies of innovation and innovators tend to focus on the role of an individual, e.g. Edison, Bell and Dyson. Each of these was an inventor but they were also Innovators – able to translate the original technical idea into a new product. But more than this, they were also Entrepreneurs – created and developed successful businesses based on inventions and innovations.

Typically they:

- Passionately sought to identify new opportunities and ways to profit from change and disruption.
- Pursued opportunities with discipline and focused on a limited number of projects, rather than opportunistically chasing everything.
- Focused on action and execution, rather than endless analysis.
- Developed networks of relationships, exploiting the expertise and resources of others, while helping others achieve their own goals.

The cognitive abilities of Innovators are well documented. They display a consistent mental approach to using information to innovate. The following table summarises these characteristics:

| Resourcefulness          | • Information acquisition and dissemination.  
|                         | • Capturing of information from a wide range of sources, requiring attention and perception. |
| Intelligence            | • The ability and capability to interpret, process and manipulate information |
| Sense                   | • Sense making, giving meaning to information |
| Unlearning              | • The process of reducing or eliminating pre-existing routines or behaviours, including discarding information. |
| Action                  | • Implementation and improvisation, independent behaviour, experimentation, reflection and action.  
|                         | • Using information to solve problems. |

The innovator understands the value of information while not being a slave to it. The ability to source, interpret and use data focused on opportunity is a defining characteristic.
3.5 Factors Influencing the Development of an Innovator

There are many factors that influence the development of an innovator. The individual's background, socio-economic group, parental achievement and religious and ethnic beliefs all have an influence. The environment within which the person works can either encourage or hinder their creative capacity. Their personality and psychological profile and their need for achievement can be strong indicators of innovating potential.

Factors Influencing the Innovator:

- Home Context
- Technology & Markets
- Institutional Support
- Work Environment
- Background
- Personality

3.6 The Food Innovator's Skills Set

The food innovator requires the following skills set and mix to be effective.

- Food Science & Technology Skills
- Communication Skills
- Business & Project Management Skills

Food Science & Technology Skills

These are the basic core skills of the Food Innovator and arise from undergraduate studies. They include the essential food science and technology subjects including food chemistry, microbiology, processing technology, engineering and nutrition.

Communication Skills

The Food Innovator is required to communicate with all the relevant functions within the food company to ensure the project runs to plan. This requires an ability to communicate with others and to understand what is being said, whether it relates to science, business, strategy, finance or human resources. The Food Innovator is the Spider-in-the-Web of Innovation.

Food Innovator – the “spider” has to navigate through the entire “web of innovation, which includes: Production, Engineering, Management, Finance, Administration, and Quality.

The innovator must also be able to communicate with people outside the organization including suppliers, customers, agencies, regulatory authorities, etc.
3.7 The Innovation Team

The Food Innovation Team is the core organization structure required for innovation in your business. It is a multi-functional group made up of key persons from all the main departments. It may include external persons as required.

The Innovation Team is the backbone of your innovation strategy. It is the group of people in your business that will conduct the work, review data, provide reports, conduct development work and deliver the goods. The team approach is critical, as one person alone will seldom have the expertise and energy to achieve success.

Large companies undoubtedly have an advantage here. They typically will have a large management team made up of the various skills required to develop new ideas. However SME’s should not be put off. Success can be obtained through smaller teams and the bringing in or use of external support and experts. The management should assemble an Innovation team to coordinate and manage the process. It should be cross-functional and cover the following areas:

- Production
- Technical / Quality / Food Safety / NPD
- Marketing
- Finance
- Sales

The team may be fluid in nature but the core members should remain. For larger companies the team may have 5-7 members covering the above areas. In smaller companies the team will be smaller with some members covering a number of areas and using external experts as required. The team should meet on a regular basis over the life of the innovation project. These meetings should review progress, data and reports and take key decisions. The Food Innovator should ideally chair all meetings and manage the group. Where required the team should receive training in the process of Innovation so that each member understands the steps involved and their role.

3.8 Climate for Innovation

A climate for creativity and innovation is that which promotes the generation, consideration and use of new products, services and ways of working. This kind of climate supports the development, assimilation and utilisation of new and different approaches, practices and concepts. It is associated with a wide range of innovative outputs: new ideas, improved processes and new products. A number of conditions can stifle innovation; these include:

- Dominance of restrictive vertical relationships
- Poor lateral communications
- Limited tools and resources
- Top-down dictates
- Formal, restrictive vehicles for change
• Reinforcing a culture of inferiority (Innovation that comes from outside is always better)
• Unfocused innovative activity
• Unsupportive accounting practices

These have the effect of reinforcing the behavioural norms which inhibit creativity and lead to a culture lacking in innovation. In order to create an innovation culture, change must occur so that potential is unlocked and ideas flow freely. Ultimately, this change must come from the top down. A number of key factors have been identified as important in creating a climate for innovation. They include:

• Trust and openness
• Challenges and involvement
• Support and space for ideas
• Conflict and debate
• Risk-taking
• Freedom

The degree to which any of the above factors exists within the organization can depend on such issues as personalities involved, the age of the business, economic and competitive environment and the level of tolerance in general society.
4 PROACTIVE LINKAGES

No man is an island. If we are fortunate enough to live for 100 years, we will still never accumulate sufficient knowledge, skills or experience to solve all problems. Innovation is in essence solving problems. We have already identified that one of the key characteristics that defines innovators is their ability to source, interpret and exploit data or information to identify and commercialise ideas.

The ability of the Food Innovator to form networks with others in the supply chain and supporting national structures will determine their effectiveness in terms of translating ideas into useable products and services. We will cover the general area of networking and developing linkages in another module. However, here we will cover the main sources of information and data that a Food Innovator should be seeking to develop.

5 GENERATING IDEAS FOR INNOVATION

5.1 Overview

An idea can come from almost any source. Do not discriminate. Be happy to take ideas when they come. Without a flow of new ideas there can be no innovation regardless of how well you manage it. However, there are a number of reliable and proven sources of ideas which the food company can rely upon to stimulate innovation activities including:

- Creative tools and techniques
- Market research
- Customers
- Suppliers
- Employees
- Stake holders

This list is not exhaustive and undoubtedly you will be able to add to it. However, in this section we will focus on the main sources and how best to exploit them.

5.2 Creativity

What is Creativity?

Within the environment of a busy food manufacturing plant, the concept of being ‘creative’ may raise an eyebrow or two. However, every food company is in the business of making products which meet some consumer want or need. Techniques and tools to assist a creative environment can be used with effect in food companies. Creative thinking has been defined as the phenomenon of awaking new thoughts, rearranging old learning and examining assumptions to formulate new theories or create new awareness:
It is about solving problems and about getting ideas: Picasso described creativity as the breaking down and restructuring of thoughts about a topic in order to gain new insights into its nature.

It is about insight: Creativity can also be the relating of things or ideas which were not previously related to produce new ideas and concepts. Ideas are found.

Innovation can be the practical application of ideas: Ideas put into practice.

For some in the food processing industry, idea generating or coming up with new products can be difficult, whilst for others there is no shortage of new ideas and for others their main problem is too many ideas. There are a number of tools and techniques that may be applied by food companies to develop new innovative ideas. Here we will focus on the two most relevant ones:

- Brainstorming
- Cube crawling

But first we will cover the general area of Idea Generation within a food business.

5.3 Idea Generation

To manage a successful environment for creativity, it is necessary to provide resources, time, encouragement, freedom to think, recognise and challenge a system of project management and a positive organizational climate. The features associated with this type of climate have been well documented as:

- The ability to network, talk with peers, and tap all available expertise in the organization.
- To be confident that you have the time, sanction and approval of management.
- Encourage humour and enjoy the process.

On the other hand the factors which stifle innovation are as follows:

- Regard any new idea from below with suspicion – because it’s new, and because it’s from below.
- Layers of management which must be passed prior to getting approval.
- Asking department or individuals to challenge and criticise each others proposals. That saves you the job of deciding: you just pick the survivor.
- Express your criticism freely and withhold your praise.
- Treat identification of problems as failure, to discourage people from letting you know when something in their areas is not working.
- Control everything carefully – make sure people count anything that can be counted, frequently.
- Make decisions to reorganise or change policies in secret, and spring them on people unexpectedly. That keeps people on their toes.

When you come across a new idea, ask yourself these three questions:

- What are the positive aspects of the idea?
- What are the negative aspects?
- What are the interesting things about the idea?
It is not necessary to either support or criticise an idea immediately when you come across it. It is better to sit and ponder for a moment. ‘That is an interesting idea. I have never looked at it that way. How can I use it?’ Interesting reactions are more creative than negative ones. Further, you can be assured that negative reactions occur readily – you need not be afraid of overlooking them by thinking positively.

What I like about this idea is..’

The key issue here is that you never know where the next good idea may come from. If you put up barriers to new ideas you stifle the creative process and may miss out.

5.4 Brain Storming

Brain Storming is group activity in which all participants are encouraged to offer ideas and where all criticisms or attempts to evaluate or judge ideas are banned.

Given the right environment, most people can become very creative. Very often people working in groups can find an outlet for the creative process. Group techniques such as brain storming can assist this process. Cross-functional teams of people come together under the right conditions with the objective of generating new ideas. Brainstorming creates the right environment.

It is group session in which all criticisms or attempts to evaluate or judge ideas are banned. This is a key point about most business meetings. They are designed to evaluate and not create. Take for example a meeting designed to generate ideas and evaluate. One person makes a suggestion. The rest of the group immediately comment of that suggestion – on its pros and cons – any negative feedback will automatically act as a barrier to that person making further suggestions. The remaining members of the group have wit-
nessed the evaluation process and don’t like what they see. They too are ‘excluded’ from the brainstorming process. The concept of brainstorming is that we can only operate in one mode at a time, idea generation or evaluation. Table on the previous page brings together some practical notes on running a brain storming session.

5.5 Idea Bank

After the session, record all ideas in your Idea Bank. These are the ideas previously recorded on the flip chart. This is your ‘bank of ideas’. Not all new product ideas get acted upon. For some the timing is wrong, others aren’t sufficiently developed – they need a little more work or the resources are not available. One danger is that potentially good ideas are lost forever. Preserve your ideas in the Idea Bank until their time is right. After brainstorming the next step is to screen your ideas. We will cover this later in this section. Other factors to be aware of include:

Location

- Pick a neutral office / hotel room
- Free of interruptions
- No telephones
- Comfortable seating
- Have plenty of wall space
  (Put up the ideas on the wall as each page of the flip chart is filled)

Equipment

- Flip chart and plenty of paper
- Blue tac
- Coloured markers, pens
- Post it notes
- Overhead projector

Climate Setting

- Introduction, including the objectives of the sessions
- Defining the rules of the brainstorming session

Team Leader

- Enforce the team rules
- Avoid interpreting ideas
- List all ideas
- Set a target
- Encourage all members to contribute
5.6 Idea Screening from Brain Storming

Following a good brainstorming session the team may well have up to 50 new ideas. Obviously this number is too large to conduct a detailed screening exercise, so the team needs to undertake Crude Primary Screening. This can be conducted at the end of the session or at a later session. Hang the flip chart pages containing all the ideas on the walls of the room and ask each member of the team to tick off their top 5 ideas. From this the best ideas will emerge and these can go on for a more detailed secondary screening.

Cube Crawling

Cube Crawling requires you to move from one box in the cube to the next replacing one element for another, e.g. product, process, raw material in order to emerge with new ideas.

Imagine your building as a ‘tower block’. Imagine the number of rooms on each floor and visualise them as ‘boxes’. Imagine you can crawl up or down through the floor and from one room to another. Imagine you are ‘cube crawling’. Most food businesses can be compartmentalised or pigeon holed into various activities, sometimes related and sometimes each activity will function in isolation. Within your ‘tower block’, this can be visualised as being within adjoining rooms or on completely different floors.

Product life cycles are short and all businesses need to develop a constant stream of new products. Your products, and let us assume they are successful to your business, fit very neatly into one of the boxes in your ‘tower block’. The cube crawling model requires you to move one box or cube, in any direction. You can label each axis of the tower block, for instance, process, market, product and raw material. If you move one cube and change one parameter, then your new product is more likely to be successful. Move too many squares up, down or sideways and your new product will fail.

Examples:

- Two finger Kit-Kat Bar
- Four finger Kit-Kat Bar
- Chunky Kit-Kat Bar
- Small Chunky Kit-Kat Bar
- Pringles
- Small Pringles
- Lunch Box Pringles
- Very Tall Pringles
A food business seeking to develop its innovation and NPD capabilities needs to put in place a number of elements making up the Innovation Management system. Key among these is Market Research. The importance of Market Research cannot be over stated. It is the basis of all innovative and Innovation efforts and is a prerequisite for success. The best Innovation Management system will not make up for poor or absent market research data. In this section we will outline the two main areas of market research:

- Consumer Research
- Trade Research

A food business must conduct both. A misconception often held by owners of food businesses is that market research is the exclusive preserve of large multi-national food businesses who have the internal staff and budget for such things. This is definitely not so. In fact, the techniques required to conduct focused and useful market research are well within the capabilities of Irish food companies regardless of budget.

Very often the barrier is simply the will to do it, the confidence in your techniques and knowing where to find the information. The advent of the internet has made market intelligence data available at a click of a mouse and the state support bodies now provide access to market research data-
bases at no cost. Certain market research activities will require time, resources and a budget, but if conducted correctly the gains will be worth it. In short, don’t be afraid of market research. It can be straightforward, once you are aware and understand the tools required.

5.8 Consumer Research

Consumer research should be undertaken at the early stages of the innovation process. It is the collection and analysis of data to identify and satisfy consumer needs. The main objective of this is to reduce the risk of product failure, to identify profitable market opportunities and facilitate decision making. The key issue is developing new products based on an actual consumer need and not just what you can manufacture. The goal of consumer research is to stimulate consumers into telling you what they will buy, when they will buy it and why they will buy.

The Importance of Consumer Research

Very often innovation projects proceed to an advanced stage without a consumer seeing the product. Without consumer feedback or input the basis for the project progressing is questionable. At this stage a lot of money and time may have been spent which cannot be recovered. The act of identifying and fulfilling consumer wants and needs is much more effective and less expensive, in money, time, and reputation, than the traditional ‘we made it now you sell it’ approach to Innovation / NPD. When businesses fail to identify the product opportunity ahead of time in terms of consumer wants or needs, or do not learn the emotions that will drive the product, then companies are merely guessing about product acceptance. The main reason for conducting Consumer Research is to ‘out think your competitor’ without ‘out spending them’. This is gaining competitive advantage by:

- Solving a consumer need in a way that nobody has before
- Not trying to outguess consumers but working with them to find out their needs
- Understanding your market and business better than your competitor
- Knowledge is Power – Research, Research, Research
- Having the Innovation team aware of consumer needs
- Decisions based on factual data and trends – not notions, opinions, and personal ideas

What Kind of Information Arises from Consumer Research?

The aim is to identify the underlying behaviour patterns of consumers, such as:

- Values
- Attitudes
- Lifestyles

It is the basis of your strategic direction. This information can act as a strong input into your idea generation process and form the basis of defining:

- Actual product attributes
- Performance of product against benchmarked products
• Preferences on product names
• Effectiveness of packaging design
• Proposed advertising messages
• Planned promotional tools
• Price point acceptability
• Preferred purchase points

Consumer research can also assist in screening of ideas after generation. What do we need to find out?
• Who are the consumers?
• What are they eating? (e.g. convenience products, functional products)
• When and where are they eating? (in the workplace, on the go, out of home, on impulse)
• Why do the consumers want the product? (e.g. for entertainment, family meals)
• How will the product affect the consumer’s life for the better?

This list defines the main growth areas of the market.

Types of Consumer Research

There are two main types of Consumer Research:
• Desk Research
• Field Research

5.9 Desk Research

This is also known as secondary research and involves making use of research already in existence. For example:
• Market databases
• Trade press and magazines
• Industry reports
• Government reports
• Websites
• Newspapers
Extensive published material can be sourced externally to provide information on:

- Consumer trends
- Attitudes
- Lifestyles
- Shopping behaviours
- Market drivers
- Growth areas

From this data key trends may be identified under the following areas:

- Health
- Convenience
- Individuality
- Indulgence
- Natural/clean
- Organic
- Ethnic
- Functional

5.10 Field Research

Also known as primary research, it is carried out by contacting consumers directly. It may include:

Surveys

Surveys include questioning people directly about their attitude to a particular product or service and are usually carried out by telephone or face to face. Because it is impossible to survey all target consumers, sampling is used. A representative group or sample whose views will accurately reflect the target population is chosen.

Questionnaires

These are lists of prepared questions which potential customers are asked to fill out. Careful attention must be given to the design of questionnaires so that the answers received are of value for decision making.

General Observation

General observation of people making purchases can also provide good information.
The Nature of the Information Collected in Consumer Field Research

There are two types of field research – Qualitative and Quantitative.

5.11 Qualitative Research

This is a process of talking directly to consumers to understand their perceptions, attitudes and reasons for doing things. It forces consumers to make a value judgment about a product/concept in front of the interviewer and can be used on its own or to help in the development of a questionnaire for a quantitative study. Focus groups and the one-to-one interview are the most common forms of qualitative research, and when used correctly can be an excellent source of information and intelligence on which to base decisions.

Focus Groups

A focus group is a gathering of people of similar demographics having a ‘focused’ discussion about a subject, usually led by a moderator. When the same focus group meets on numerous occasions, they are known as ‘consumer panels’. The focus group transforms a dozen or so people into a microcosm of your target market.

They can provide information on consumer lifestyles and behaviours, and shopping behaviours in relation to specific products. They can also be useful in identifying latent consumer needs. They can be used to evaluate consumer perception to a new product, concepts, packaging, price and advertising.

5.12 Quantitative Research

This provides numerical data. For example, what percentage of the population falls into certain groups – those who want something and those who like something. In quantitative research, every person is asked the same question. It can be conducted using face-to-face interviewing, by telephone, by post and self completion questionnaires.

Types of Quantitative Research

In-home Place Tests: These involve placing a product in the target consumer homes for a period of time. Consumers are asked to sample the product and rank it on a variety of product attributes and then submit the results in a completed questionnaire.

In Hall Testing: Similar to the above. Consumers are targeted on the street and asked a series of questions to determine if they fall within the target markets. If they do, they are invited into a hall/venue to take part in a product sampling and to fill in a questionnaire. They are typically reimbursed at the end of the exercise, for example with a scratch card etc.

Sensory Analysis: Sensory analysis or sensory tasting is used to test a product’s sensory attributes, e.g. aroma, odour, colour, flavour, texture, in-mouth feel and after taste. This type of testing can be used in many stages of the NPD process. It can be used against a benchmark product to determine how close/same/better/etc. the product is, for example, to the market leader. It can be used in shelf life studies and be conducted by a taste panel that is trained.
General Comments

Consumer desk research is an absolute necessity for all companies engaging in new product development. Without a clear knowledge and understanding of consumer’s wants and needs, you will find it difficult to succeed. Field research is more expensive and requires time and resources. However, the information can be very useful as it usually relates specifically to your intended products.

You need to be careful with this type of research as it may suffer from variation and bias. Companies engaged in ‘me too’ products may not have a great need for field research; however, it should always be considered especially when it comes to packaging and specific product attributes.

An effective and cost effective form of market research is going to the shelves of supermarkets and seeing what the consumer is actually buying. There is certain logic to this and falls under the area of trade research. Consumer research conducted in tandem to trade research can be a powerful tool. In the next section we will explore the area of Trade or Retail Research.

5.13 Retail / Trade Research

Retail or trade research is the process by which a food company acquires a full understanding of the dynamics of the retail market and the specific food category within which it operates, including consumer forces and emerging opportunities. From this research, potential opportunities can be identified for suppliers with a focus on specific retailers that offer best fit between the companies product range and retailers strategy and consumer profile.

It can assist in driving innovation which, at the most basic level, may involve the simple repositioning of the current product range in line with identified gaps, a tweaking of existing packaging, packaging redesign, change in pack size/format or the introduction of new flavours. It can also assist the company in identifying a market gap, resulting in the development of an entirely new product innovation.

Why is Retailer / Trade Research Important?

The food industry is experiencing increased levels of competition. Business is being conducted in a market experiencing relatively low levels of growth. However, opportunities are emerging in niche segments. The dominance of the multiple retailers internationally has placed additional pressures on food companies to be more innovative while supplying cheaper products.

For food companies to be successful at innovation they must have an understanding of consumers’ needs and the needs of the retailers. You effectively need to know the job of the Retail purchaser better than he/she does. For each retailer you are targeting, you will need to know the following:

- Their objectives and strategy
- Product category requirements
- Pricing, charges and rebate policies
- Technical requirements

In order to conduct retail/trade market research a tool known as GAP ANALYSIS is utilised. A sample template of a Gap Analysis Position Map is contained in your Innovation Management Tools (Pack 2).
5.14 Gap Analysis Research

The key steps in conducting ‘gap analysis’ research are described in the following section and can be summarised as follows:

- Conduct desk research on the retail market
- Conduct desk research on the consumer drivers within the target market
- Conduct product category specific research to understand the category dynamics
- Conduct competitor retail audits to understand the current competitive offering
- Create market positioning maps based on audit and category research to identify gaps
- Conduct a market review to clearly define and agree on gaps to be targeted
- Arrange for presentation to trade if applicable

Conduct Desk Research on the Retail Market

Desk research should be conducted to enable companies acquire a full understanding of the retail market being targeted, with particular focus on the following:

- Size of market being targeted
- Profile of the key players and their business strategies
- Grocery shares and growth
- Trends in retail market, e.g. brand strategies, category management plans
- Promotional and pricing strategies
- Positioning of retailers (in terms of customer profiles)
- Analysis of macroeconomic variables within the market

Conduct Research on the Consumer Drivers within the Target Market

Desk research, as already discussed should be used to gain insights into consumer drivers. This allows you to see the trade research in context and provide you with a deeper understanding of the current state in the market.

Conduct Product Category Specific Research

Category information which may be collected includes:

- The size of category by volume, value and growth trends
- The breakdown of category by sub sector and growth trends
- Brands vs. Own Label share of the category and a break-down by sub-sector
- Retailers market share of the category versus overall share of the grocery market to identify areas of over and under trading
- Household penetration and consumption patterns
Conduct Retail Audits to Understand the Current Competitive Offering

At this step you will audit the outlets being targeted to gain a comprehensive overview of the current offering as well as information on:

- Competitors
- Brands
- Price points
- Current pack formats
- Flavours

5.15 Positioning Maps and Range Analysis
From the market data collated through the desk research and retail audit stage you can develop what are known as positioning maps which can help in the identification of market gaps. It is essential that any new offerings that are presented to the retailers offer something that is new, better or different than the existing products in their range and which cannot be easily replicated by existing players. These maps are a simple tool which allows you to graphically plot all products available in a retailer’s product category. Comparisons made between maps from different retailers can show gaps in one retailer’s vs. their competitor.

5.16 Conduct a Market Review

Following the positioning exercise, the company should conduct a review to identify any opportunities. It should clearly define the gaps identified in terms of product attributes:

- Product type
- Price point
- Packaging types
- Promotional targets
- Customer targets

Existing product developments or concepts should be reviewed at this stage and screened out if no gap has been identified. Modification of existing concepts can also be conducted where gaps have been identified or the development of a completely new product can be considered.

5.17 Arrange Presentation to Trade if Applicable

After the above has been completed, the company may wish to present its findings to the trade. You should be cautious here. Presenting to retailers who you are not currently doing business may provide them with good ideas and market gaps without a guarantee of business. Development of the product and then establishing it in the market at some level may be a better strategy prior to presentation to the multiple retailers.

Having a detailed knowledge of the retail sector will prove very beneficial in helping you grow your business with the multiple retailers. Buyers have a natural preference to work with those who not only make good quality products but who also have an understanding of the market and are capable of being innovative.
6  IDEA SELECTION

6.1 Overview

For idea screening, the Innovation Team should assemble around a manageable number of ideas, e.g. five. These may be presented in a report format based on the idea generation stage, marketing reports and any other data that is relevant. The objective here is to screen and select the ideas which are most likely to succeed.

There are a large number of models and ways of screening new innovation ideas. Some are very detailed whilst others are quite subjective. Overall, you should use the method that best suits your business, but be realistic in your evaluations. In order to evaluate a new product idea some preparation will be required as covered in this whitepaper. Data required to conduct the evaluation will include:

- Market Analysis
- Sales Projections
- Product Life Cycle Assessment
- Cost Breakdown
- Investment Analysis
- Capital Expenditure

What follows is a scoring model which can be used to identify which project(s) should progress.

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<tbody>
<tr>
<td>Ease of Implementation [R&amp;D]</td>
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<td>Difficult</td>
<td>Easy</td>
<td>Very Easy</td>
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<tr>
<td>Ease of Manufacture</td>
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<td>Easy</td>
<td>Very Easy</td>
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<tr>
<td>Capital Investment [Equipment Only]</td>
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<td>Moderate / High</td>
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<tr>
<td>Market Gap Opportunity</td>
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<tr>
<td>Volume of Sales / Turnover</td>
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<td>Moderate / Low</td>
<td>Moderate / High</td>
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<tr>
<td>Gross Profit</td>
<td>Low</td>
<td>Moderate / Low</td>
<td>Moderate / High</td>
<td>High</td>
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<tr>
<td>Competition</td>
<td>High</td>
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<tr>
<td>Product life Cycle</td>
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<tr>
<td>Key Factor</td>
<td>Product 1</td>
<td>Product 2</td>
<td>Product 3</td>
<td>Product 4</td>
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<tr>
<td>Ease of Manufacture</td>
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</tr>
<tr>
<td>Capital Investment (Equipment Only)</td>
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<td>Market Gap Opportunity</td>
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</tr>
<tr>
<td>Volume of Sales / Turnover</td>
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<td>Gross Profit</td>
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<td>Product life Cycle</td>
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<td><strong>Total</strong></td>
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</table>

**Scoring Model**

Companies may need to define further some of the scoring factors. For example, product life cycle ‘short’ may be 12 months and long may be 3 years. A table may be used to score a number of products on the same sheet. The highest scoring product can then be developed first and so on.
Safefood 360° Food Safety Management Software

**Product Benefits**

- Easily record and manage all elements of your food safety system including HACCP and CCP monitoring, PRP’s, management systems and documents
- Eliminate paper using the 30 integrated modules that come as standard
- Access and work with your system from any location at anytime
- Stay up to date and fully compliant with software that updates automatically in line with changes to global food standards
- Improve compliance and audit outcomes through the action driven features of the software
- Accelerate compliance with all of the international food safety standards including the BRC, SQF, IFS & FSSC 22000.
- Spend less time managing your food safety system and more on value adding activities

**Product Features**

- Dashboards & KPI’s
- 100’s of reports as standard
- Notifications
- Multi-site management & oversight
- Real-time legal and alert updates to dashboard
- Roles & security
- Actions management
- Safe and secure web based solution
- No internal IT support or data back-up required
- Unlimited Users
- 24/7 world class customer support
- Covers in complete detail the requirements of the SQF, BRC, IFS, FSSC 22000, retailer standards and legislation
- FDA 21 CFR Part 11—Technical Compliance
- Automatic audit log

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