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Part of our DNA

Cosmetic products, detergents, photos, motor cars, chips, electricity metres and paving for patios: the winners of the WirtschaftsWoche “Best Innovator” competition are all from completely different industries.

Every Monday morning at exactly 9 a.m., innovation time commences at CeWe Color in Oldenburg, Lower Saxony. The Board of Management and managers and employees from the Research and Development, Marketing, Sales and Production departments all get together for a meeting to think about new ideas: “Without a fixed agenda but with an open mind for new ideas,” says Rolf Hollander, Chairman of the Board of Management of the digital photo printing company.

This unconventional method of innovation management functions so well that CeWe and detergent, cosmetics and glue corporation Henkel emerged as the winners of this year’s “Best Innovator” competition. The competition is organised jointly by Management Consultants A.T. Kearney and German journal WirtschaftsWoche. Henkel is best in the class in the category for large companies and CeWe Color was the innovation leader among SMEs. Car manufacturer BMW, energy supply company EWE, chip manufacturer Intel and paper processing corporation UPM were also distinguished as being exemplary in terms of sustained innovation management.

“Constant change was decisive for the existence of the company,” says CeWe CEO Hollander. The company was founded as an industrial photo lab in 1961. The big change came at the beginning of the new millennium when digital cameras replaced analogue cameras on the market. “This had far-reaching effects on our business model,” Hollander says. In 2005 CeWe Color still sold more than 3.2 billion prints from films, against only 500 million in 2009 – and figures are still declining. At the same time the number of digital photos rose from 170 million to 1.9 billion. “The market has changed completely,” Hollander says in explaining the challenge.

CeWe has emerged stronger from the change in structure. The company is considered to be the cost and technological leader and is the market leader with a market share of more than 40 per cent. CeWe generated sales of around 420 million euros in 2009 with a staff of 2,700 employees in 13 production operations. The biggest share of business is transacted jointly with around 50,000 retail partners – pharmaceutical chains, electronic markets, photo retail stores, Internet dealers and department stores. The latest bestsellers are personalised photo books. Here customers can combine their own snapshots and texts to produce professional illustrated books and have them printed. The company sold 3.5 million books in 2009, over a third more than in the previous year. The next innovative step is just over a week young and is called aprinto.de: photo book technology can be used commercially in the Internet portal – for example for catalogues, reports and conference documents. CeWe invested 255 million euros in the development of digital technology: “Innovation is part of our DNA,” Hollander says.

COORDINATED PROCESSES

SME CeWe has no fixed regulations laid down for innovation management to function, while success at Henkel is the result of perfectly coordinated processes. “Our innovation strategy is rigorously aligned to the needs of consumers,” says Tina Müller, head of international hair cosmetics, facial and

oral hygiene business. It is not engineers in the laboratories who decide what is to be newly developed and what the targets are; it is mainly potential buyers who do so. The “Consumer Insights” programme gathers information worldwide on what consumers want and on their buying behaviour – with the help of the trend observation system “Trendwatch”, through analysing Internet blogs or through information received from the network of dealers or from professional sales partners. “We are thus fully aware of what our target groups want,” says Müller.

These sources of information are supplemented with a sophisticated internal system of proposals. The “innovation lounge” collects ideas for new products or product improvements. The target group in mind is included when ideas are developed, for example in tests. The Research and Development, Marketing and Production departments are also taken on board at an early stage. “Our aim is to realise only those concepts that have an above-average probability of success and set new quality standards,” says Christian-André Weinberger, who is the department head responsible for the international detergent and cleaning agent business conducted by Henkel.

This obviously all works very well. In the hair care market – one of the most important cosmetic segments worldwide, with annual turnover at 43 billion euros – the Henkel brand Schwarzkopf is one of the market leaders, generating 1.7 billion euros. Just over a quarter of Henkel’s sales are generated by the cosmetic line of business, “our share is disproportionately high in terms of profitability,” Müller says. She considers this to be the result of an ongoing process of innovation: “We launch around 50 new products every year in the cosmetic section and we achieve 40 per cent of our turnover with products that have only been launched in the past three years. “

Product developments have to combine two characteristics that are in fact contradictory. They are to convey luxury and at the same time remain affordable.”In the cosmetics section products with natural, luxurious ingredients such as gold, silk, cashmere and high-quality oils sell particularly well,” says Müller. She believes that the target group of men has great potential: “Until now they have frequently used what their partner chose for them or what she uses herself, but more than anyone else, single men and trend-conscious consumers are more and more frequently buying cosmetics specifically for men.” This includes hair dyes such as the new Men Perfect Schwarzkopf line, a gel that only needs to take effect for five minutes and avoids the touch of red that is otherwise greatly feared.

PROCUREMENT AND TRANSPORT

Sustainability is increasingly becoming a criterion for success. This is why Henkel has defined five sustainability areas: energy and climate, water and waste water, health and safety, materials and waste and social progress. Each new product has to be a significant improvement over the previous one in at least one of these areas,” says Weinberger, who also represents the detergent and cleaning agent department in the Group’s sustainability committee.

For the perennial Persil, one of the Group’s three top brands, this means: shorter washing times, lower washing temperatures and reduced wastewater contamination – at the same time as many types of stains as possible are to be removed, without colours fading. “The sustainability requirement applies for new developments through the entire added value chain,” says Weinberger, “what is decisive is not only features of the products’ use, the procurement and transport of raw materials also counts.”

Sustainability in innovation is now one of the most important criteria for success – the "Best Innovator" competition does justice to this with four special prizes for "sustained innovation management". Car manufacturer BMW is also one of the prize winners – mainly for its approach towards "efficient dynamics", as marketing experts have dubbed the corporate vision which focuses on sustainability. "Sustainability has been a part of our corporate strategy for a long time now," says Jochen Otterbach, Head of Technology and Innovation Management.

CLEVER COUNTER

In the past two years BME has managed to reduce the consumption of the vehicles more than any other European car manufacturer. The Bavarians have achieved a fleet value of 156 kilograms per kilometrer for carbon emissions: "This means that we are also undercutting European volume manufacturers," says Otterbach. Decisive for the "Best Innovator" judges was the fact that the car manufacturer had withdrawn from Formula 1 motor racing and had successfully developed the electrically driven Mini E. New motors and gears, brake energy recovery systems and start & go techniques which switch engines off at red traffic lights also lower the consumption of cars with a standard drive. "We are currently taking a look at the use of exhaust gas heat to generate electricity with a thermo-electrical generator," Otterbach discloses.

Energy supply company EWE from Westerstede in Lower Saxony is also focusing on optimising consumption. "We see ourselves as a service company that combines mains operation, telecommunications and software," says Jörg Hermsmeier, Research and Development Department head. "We are aiming at improving efficiency." The main item of the concept is a digital electricity metre that can do more than register kilowatt hours. With the EWE box consumers can recognise how much electricity each appliance uses. "Consumers will not be able to regulate their consumption until they have this information," says Hermsmeier. Or have it regulated – unless they have intelligent appliances in the not-too-distant future. Then the refrigerator, in a dialogue with the EWE box, will only switch itself on when electricity is cheapest. The box gets information from the Internet about when this is and where the electricity is available. Four hundred metres have been sold and now the box is to be tested in practice.

US chip manufacturer Intel, also one of the companies distinguished for its innovation management, has the appropriate electronic system for these forward-looking solutions. "Innovation is essential for us," says Frank Lafos, Central European Innovation Manager. "We consider ourselves to be the driver of the IT industry." The requirement of company founder Gordon Moore, internally known as Moore's law, is still considered to be the driving force behind Intel developers: in twelve months in each case the number of transistors on the same area must double, i.e. components are constantly being reduced in size and they are more efficient.

The current status of miniaturisation is the atom chip. It is so small that it fits into even the smallest of mobile phones, to turn it into a fully-fledged laptop with an Internet connection thanks to its computing power. Components like this are developed by the Intel engineers, numbering more than 800 in Europe alone, in close cooperation with their customers: "This is how we create our own market and secure economic success," says Lafos. The next group of customers has already been defined: the engineering and automobile industries. Daimler and BMW, for example, will be equipping the next generation of their luxury cars with atom chips, thus bringing the Internet into cars.

In comparison to this the prize winner from Finland, UPM, is more down-to-earth: the forestry and paper enterprise is one of the largest producers of pulp and the company also produces paper as well as operating hydroelectric power plants and generating bio fuels and composite materials. This has resulted in completely new business segments for the company: Profi, for example, a material made of wood and plastic. Pressed into profiles it is an alternative to wooden planks for patios and balconies. The material is classified as being particularly sustainable in comparison to tropical wood for example, thanks to its components: UPM uses waste from another product line here – Profi is made from the cuttings of self-adhesive labels.

2009 BEST INNOVATOR
Company figures of the competition winners [1]

Company	Industry	Business Division	Turnover (EUR bn)	Earnings[2] (EUR m)	Employees	Place in the competition
Henkel	Consumer goods	Detergents and cleaning agents Cosmetic products	4.17 3.02	439 376	13,000 8,300	Winner in the large company category
CeWe Color	Consumer goods	-	0.42	14	2,900	SME winner
BMW	Automobile	-	53.2	351[3]	100,000	Special prize for sustained innovation management
EWE	Energy	-	5.33	423	5,300	Special prize for sustained innovation management
Intel	IT technology	-	26.7	3740	84,000	Special prize for sustained innovation management
UPM	Forestry and paper	-	9.46	-201	24,000	Special prize for sustained innovation management

[1] 2008, [2] before interest and tax, [3] Earnings before tax; Source: A.T. Kearney, own research