

Innovating

## Innovation Beyond Apple

Les Berglass, 01.22.10, 05:00 PM EST

**Retail experiences, marketing platforms, partnerships are as important as new products.**



When it comes to innovation, many executives in the consumer goods industry are chasing Apple. Who can blame them? While most retailers spent the holiday season slashing prices, Apple reported record earnings by enchanting audiences with iPhones. Now, as retailers try to re-engage consumers this year, executives are trying to replicate the "Apple thrill."

But focusing exclusively on product innovation is a mistake for most companies, say executives who gathered recently at Berglass + Associates, my company, to discuss innovation. The attendees included Richard Dickson, general manager, Barbie, and a senior vice president at Mattel; Melisse Shaban, CEO of Chrysalis, an incubator company for emerging brands; and Bill Brand, executive vice president of programming, marketing and business development at HSN.

"Innovation is not only about product," says Dickson, citing Hyundai's clever "Assurance" program, which assured car buyers that they could return their car without hurting their credit if they bought a Hyundai and then found themselves unemployed. "Today great marketing innovation is actually what drives product sales."

Innovation can be communicated through retail outlets and partnerships with other marketers. Last March Mattel opened a 35,000-square-foot Barbie flagship store in Shanghai that includes a spa where mothers and daughters can enjoy chocolate soufflé facials. "We are using this format to market beyond our core audience of 3- to 8-year old girls and appeal to the entire female audience," explains Dickson, who recently won an innovation award for the new store.

Another way Barbie has expanded its market: strategic branding partnerships, such as the cosmetic line launched with MAC in 2007. "Through MAC, we became cool by association," says Dickson. Since then Barbie has created collections for other branding partners, such as Christian Louboutin, Stila and Pottery Barn for Kids.

Brand of HSN also swears by partnerships as a means of elevating a brand. HSN recently recruited designer Badgley Mischka to design an exclusive line of dresses. "We sold dresses priced between \$100 and \$600, which was a slightly higher price point for our customer," explains Brand. "However, she was willing to spend the money because the dresses were so special."

Marketing is only part of the equation. To Shaban of Chrysalis, innovation in distribution remains one of the great frontiers of growth in retail. "I get excited when I see a big red box [for DVDs] at the grocery store," says Shaban, whose firm built the Frederic Fekkai hair care brand, which it successfully sold to Procter & Gamble for \$300 million. "In order to be successful, I need to know: Where are consumers looking for their goods and services?"

That's not a simple question to answer now that technology has spawned multiple new ways to shop. "You really have to be everywhere," says Brand. In addition to online sales and television HSN has looked to more unusual shopping venues, such as airplanes and iPhones.

HSN's distribution model goes hand-in-hand with its approach to branding. No longer just a TV shopping channel, HSN wants to be seen as a place where consumers can buy into a lifestyle. That's why Brand, a former producer at Lifetime and VH1, markets each product as though it were a story--one that can be told and retold seamlessly on television, online, or via iPhone.

"We can sell fragrances on HSN, not because of the smell but because we are telling a romantic story of that fragrance," says Brand, who has fragrance deals with celebrities such as Sarah Jessica Parker and Sean Combs.

Some products become more interesting to shoppers when retailers limit product availability. When Barbie launched its line of Christian Louboutin shoes, the designer products were sold only on luxury Web site Net-a-porter. Within one day the company received 8,000 pre-orders for only 7,000 pairs of shoes. "Scarcity creates cultural noise," says Dickson. "It puts a halo over the entire brand."

Bottom line? Apple doesn't have to own the innovation halo.

*Les Berglass is the founder of Berglass + Associates, an executive search firm focused on consumer goods companies. Berglass + Associates has been responsible for placing CEOs at Bath & Body Works, DSW Inc., St. John's and Victoria's Secret.*