



WHOLE BRAIN Brand Expansion specializes in fostering brand growth by defining and developing equity expansion initiatives, innovation-based opportunities and licensing programs resulting in new product launches. Our unique approach leverages Left-Brain Strategy with Right-Brain Creativity delivering Whole-Brain Solutions.

“Innovation is Everybody’s Business”

At this year’s Innovation Forum sponsored by FORTUNE, we had a terrific group of speakers from companies like HBO, Starbucks, Intuit, Yum Brands, Avon, Target, NBC, and FedEx. Also sharing insights were noted authors and thought leaders including W. Chan Kim (“Blue Ocean Strategy”), Mike Milken (Chairman, Faster Cures), Burt Rutan (SpaceShipOne developer), and Peter Georgescu (former Chairman of Y & R),... the list goes on and on.

Here are some “nuggets” from this year’s event. Enjoy.

Why is Innovation So Difficult? Insight from Sir Ken Robinson, The Getty Foundation

Everyone agrees: Without innovation, the competition will “eat your lunch, then your dinner, and then.....” well, you get the refrain. So if we all seek innovation, why is it so hard to create it? According to Sir Ken Robinson, Senior Advisor, Education – The Getty Foundation, the answer is simple: “We are too old! We’ve been conditioned to analyze, assess, and thereby avoid risk of failure.”



We’ve outgrown creativity for fear of making mistakes or being proven wrong.

Fostering this behavior are three popular misperceptions: Only “special people” are creative; creativity applies only to a few areas; and there’s not much you can do to encourage creativity.

To counter those beliefs, Robinson told a story:

One day a young girl was drawing a picture. Her teacher asked “What are you drawing?” The girl replied, “God”. The teacher responded, “But nobody knows what God looks like.”

The girl just smiled. “They will in a minute”



In short, children have confidence in their creativity. To break out of narrow thinking, Robinson says we need to encourage diversity of thought, risk-taking, and relying on the inner-child in each of us.



Sex and the City: A Lesson in New Product Development from HBO CEO, Chris Albrecht

Exactly what does Carrie Bradshaw have to do with brand expansion? Well according to Chris Albrecht, CEO of HBO, she shares more with the new product process than simply lusting over the latest Manolo Balahniks.

Bradshaw and her band of emancipated witty women are a striking example of the HBO brand expanding its equity by responding to customer needs. Sex and the City was able to “define itself with the customer through stories that relate to the human experience,” said Albrecht. In his interview with Time editorial director John Huey, Albrecht said the show “deals with the questions that many women ask themselves once they’ve found post-feminist empowerment; the feeling of ‘is this all there is to life?’ ”

Likewise, The Sopranos is about “a 40+ man who inherited a business from his father, struggling to modernize it while dealing with his feelings about his overbearing mother.” Mafia hits and knee cap realignment notwithstanding.

In short, these “products” tapped into the consumer’s need for authentic stories by exploring and documenting lifestyle and lifecycle issues relevant to them.

“It’s about the innovation model – capturing the audience by putting out what you believe in rather than what you think people want,” said Albrecht.

So, does that mean you just go on gut instinct and wing it? Not quite, even if your brand has the latitude of no FCC regulations.



“When you are going off into uncharted territory, you still need a common set of rules for understanding what is going on.”

So one might think that Albrecht is looking for the next Sex and the City, a line extension, as it were. But that’s not HBO’s MO. The goal is not “to recreate HBO’s success, but to reinvent the process by which that success was captured.”





For Innovation, “Shift Paradigms.” Chan Kim of Blue Ocean Strategy

Chan Kim, co-author of Blue Ocean Strategy, says most managers limit their innovation opportunities because they're focused on existing market frameworks. He calls this “Red Ocean Strategy” and points out the three fatal “red” characteristics.

1. Marketers trying to exploit existing demand
2. Existing demand is limited, creating a win-lose share scenario
3. The win-lose share scenario drives pricing downward resulting in commodity-like behavior



We're not sure, but we think Chan called it Red Ocean because of what happens when you put sharks in a tank with fish...

Conversely, swimming alone in a Blue Ocean offers management a broader range of options. Chan cited Cirque Du Soleil as an example of an organization employing a “Blue Ocean Strategy”. “Blue Ocean” qualities include:

1. Creating uncontested market-space thereby making...
2. Competition irrelevant and...
3. Creating and capturing new demand



So, where do you want to swim?

Some “crystallizing” quotes from Fred Smith

“Companies that fail to cannibalize themselves will be cannibalized by others.”

“New products are like organizations, they rise and fall on leadership.”



“You're becoming a commodity if you're not innovating.”





Starbucks – Starmaker and Purveyor of Today's Hottest Music

When Kenneth T. Lombard became President of Starbucks Entertainment in 2004, it marked the beginning of the next level of innovation for the coffee retailer.

According to a recent article in the Wall Street Journal, the push into music reflected Starbucks Chairman Howard Schultz's belief that music and other forms of entertainment help draw customers and, in turn, drive sales of Starbucks' coffee and food.

In the mid-1990s, Starbucks began selling CDs. Mr. Schultz learned of Hear Music, a chain of music stores in 1999, and visited them. He watched customers thumbing through banks of carefully organized compilation CDs and decided they were rediscovering music in the same way people had rediscovered coffee at Starbucks. Later that year Starbucks bought Hear Music for \$8 million, and several Hear Music colleagues moved to Starbucks' headquarters, where they continued developing compilation CDs and negotiating projects like the Grammy-winning Ray Charles "Genius Loves Company" release.

By then, Starbucks' music business was big enough that Mr. Schultz needed a businessperson to run it. Enter Kenneth Lombard who says Mr. Schultz told him to "expand and broaden the music venture". "This was a start-up in every sense of the word," Mr. Lombard says. He subsequently beefed up the entertainment staff, which has tripled to about 60 since his arrival.



The company has been careful to cultivate what it calls "the Starbucks Sound" - music that appeals to their typical customer, and reflects a moderately eclectic, jazzy, unobtrusive sound. It has created a cachet for its music by choosing to sell only a few carefully selected CDs at a time, while Starbucks' Hear Music™ channel on XM 75 provides a unique and approachable guide to help these audiences discover great music beyond Top 40.



Continued...

Starbucks – Starmaker and Purveyor of Today’s Hottest Music, cont.

Speaking at the recent Fortune Innovation Conference in New York, Mr. Lombard said that Starbucks has “created a brand new customer experience, and has changed the game.” He elaborated that “Hear Music helps millions of Starbucks customers - many of whom have been ignored and left behind by local AM and FM radio and major retail music stores - discover fresh and different music, as well as their popular favorites,” said Lombard.



"With the Starbucks 'Hear Music' channel on XM, we are extending the music experience outside our stores and providing an innovative way for people to enjoy new and essential music anywhere and anytime they want."



Through this model Starbucks offers a new outlet to music labels as well and has fostered collaborative relationships. For example, they worked with Concord Records to produce, market and distribute Ray Charles' *Genius Loves Company*. Starbucks stores sold more of Charles' final CD than any other individual music retailer, both traditional and mass-merchant. Accordingly, there is fierce competition within the music industry to supply one of the limited CDs sold at Starbucks. Mr. Lombard indicated that Starbucks acts as “a platform for music labels to reach their disenfranchised customers”, leveraging Starbucks' strengths and core competencies: 35 million loyal weekly customers and in-store music play.



Mr. Lombard sees all of this as “enriching the Starbucks experience,” and is a new and essential part of the Starbucks culture. The in-store play complements the visit, and creates a high quality music experience in a classic coffeehouse setting.

The entertainment division of Starbucks' demonstrates dedication to innovation, according to Lombard. We “took calculated risks, celebrated failures, and managed to stay true to the core” values of Starbucks. That resulted in “the creation of new distribution models for partners: proprietary CD compilations, co-releases and exclusives, and national new releases.” What could be more innovative for a coffeehouse?



Summary

Thoughts from:



“In a world that is quickly becoming smaller, it is more important than ever to innovate in order to solidify your market position.”

Fred Smith, CEO of Federal Express

Consumer
Insight

+

Technological
Advancement

=

Innovation

“Empathy is not just about walking in another’s shoes...first you must remove your own.”

Old Indian Proverb



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