

Podcast: Pioneers of Sustainability.

Episode 1 – Expert Talk with Marketer & Innovation-Evangelist Alexander Drees: Designing Future Solutions with Brands & Packaging

Transcript:

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Intro: Pioneers of Sustainability. The Berndt+Partner Consultants Podcast. Revolutionizing the packaging industry together. Today live: Matthias Giebel in an expert talk with the innovation evangelist from the world of brands, Alexander Drees.

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Matthias Giebel: I am very pleased that we were able to win over Alexander Drees, an experienced marketer, and also a very good acquaintance, for our interview. Today we want to look at the importance of innovations for brands. Of course, with a special focus on the role that packaging plays here. With more than 25 years of experience in the management of such leading brands - Maggi, Wagner, Tassimo, but also Leifheit in the non-food sector - Alexander Drees is an excellent person to talk to. He also is very enthusiastic about the topic of innovation and describes himself as an innovation evangelist. In that sense, I couldn't imagine a better person to talk to about this topic, and I'd start right away with the first question:

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What attracted you to the management of brands? And what does that have to do with being an Innovation Evangelist?

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Alexander Drees: First of all, thank you very much for the credit and the invitation. Of course, I'm honored to share a bit of my experience and management of innovation with you as well. So you have to know, I'm a marketer by heart. But especially marketing and designing brands, especially brands in the food sector, for which I have worked and have been working for a very long time, just bring a certain emotionality and that is unique. For me, marketing also means shaping the future. And of course, innovations are part of that.

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I have discovered my love for innovation over these 25 years. Today, innovations are essential to shape a brand, to keep it young, to keep it in the zeitgeist, simply because they ultimately reflect and cover the changes in consumer needs. And no brand, nor any company, can afford to stand still. Today, we have to use innovations to continually reshape business models, brands and products.

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Why is this so important? Every brand bases its success on consumer trust. And this trust has to be earned repeatedly at the end of the day. If a consumer realizes, now the brand is somehow losing touch with me and hasn't quite understood that I've evolved, then the consumer will look

for new brands, new products, new business models. And that means at some point, the trust and the bond that a consumer has with a brand is gone. And that can be avoided by keeping a brand young and up to date through innovation and thus also showing the consumer: Look, I'm listening, I understand you. We also anticipate where your problems and your needs are and actively offer solutions. And these solutions, if they deliver a great product and brand experience, then create trust again.

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I simply love this design of future solutions. That's why I'm always happy to position myself as an innovation evangelist, because I believe it's essential to shape innovations in businesses and brands for the future.

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Matthias Giebel: Yes, thank you, a great plea for the traditional brand right at the beginning. The fact is that brands have been in fierce competition for quite some time, and in some cases have already been declared dead. First there were the retailer's own brands, the private labels, which played a more relevant role. In Germany, for example, Aldi was very active, as were others. Then, in the last few years, the digital brands came along as well. So brands that just prefer the digital natives, that are placed and sold solely via online sales, that you only see very late on the normal shelf, such as mymuesli. So the competition is not decreasing. Hence the question, Mr. Drees:

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Is it true that the traditional brand has lost importance? And in this context, what are the biggest challenges for the traditional brand in this environment?

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Alexander Drees: That is a very, very exciting question. Personally, I think at the end of the day, the brand has not lost importance, but gained importance. Why is that? We have just seen in the times of the pandemic, and studies by KANTAR also prove this, that in uncertain times, the consumer returns to strong values such as safety. And brands offer this security, among other things, and stand for certain values and therefore provide support. In other words, I don't know if we can talk about a classic brand, but a brand that has established itself, and that can also include young brands such as mymuesli, provides orientation and support for consumers.

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Competition is essential for brands, because if it was lacking, the brands would stop developing at some point. And the discrepancy between what the consumer is looking for as a solution to a problem, as a benefit, and what the brands offer, is simply becoming greater and greater. As a brand, you have to think about new distribution channels, new, simpler options. How do I connect with my consumer? Where are the value propositions that people are looking for today? Perhaps not only in traditional retail, but also via completely new channels. Perhaps not only as a physical product, but also as a digital business model. There are a variety of possibilities there. And I think this is where we simply see as a "classic brand": there is so much change, driven by changes on the consumer side, in terms of needs, in terms of changing values.

We have to face these changes. Competition helps us to react more quickly to these changes and to respond more quickly to consumer needs.

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Matthias Giebel: Yes, that's an excellent keyword. The brand's value proposition. What actually makes a brand? The German Brands Association in particular has often dealt with this issue in the past. I would like to remind you of a study from about ten years ago. It was about the significance of brands, where we wanted to find out for ourselves what really makes a traditional brand? What is the value proposition? At the time, the quite simple realization was that, historically speaking, the brand first of all stood for a quality, i.e., the value proposition of continuously delivering the same quality.

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Then, from the perspective of the brand association, another dimension was added at some point, which we have already discussed: innovation. This then practically supplemented the profile and where every claim of the brand is to actually always provide the consumer with the continuously newest best products that fulfill the needs of the consumer even better. Yes, and then around the year 2000, so also already 20 years ago - so the Brand Association in 2010 - one has then seen an additional third topic. And what was the topic of ecological sustainability or sustainability. Interestingly enough, the assessment of the brand association at that time was that while no-name brands and no-name products came closer in terms of quality and innovation, brands could really score when it came to ecological sustainability - and that even a retail brand could not fulfill this so easily.

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If we now just take a look at the three dimensions of quality, innovation, and environmental sustainability in the first step, are these still the right dimensions in your view?

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Alexander Drees: Yes, absolutely, these are still the three essential and most important dimensions. Quality is the basis for trust. So if I don't have my perception of quality met, then I will turn away from the brand relatively quickly. That is an absolute basic promise. Innovations keep a brand in the zeitgeist in its value proposition and are the answer to change. Changing needs are happening faster and faster. This also means that the need for innovations and the speed of innovations will continue to gain in importance in the future.

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Sustainability is now a hygiene factor for everyone, essential for big brands. We've also just seen a new study that Nestlé commissioned where 54% of consumers clearly say that it's the responsibility of the industry and the branded goods industry in particular, how we can achieve climate goals, how we can better protect the planet, our environment. So sustainability will certainly be an essential part of this value pyramid, how to differentiate a brand distinctively.

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I personally believe that the added value compared to the retail brand is certainly an emotional added value that can be delivered much better by a brand. And the emotional added value comes from, on the one hand, communication, but also ultimately activities that come from an

attitude of the brand. And the attitude - often in the direction of social areas, social commitments and ecological commitments - is today, I think, impossible to imagine a brand DNA without. Again, the consumer expects brands and brand owners to meet their responsibilities in order to make a positive impression in the social environment where the companies, the brands are operating; to leave an ecological footprint that is getting smaller by the day, to ultimately also take care to achieve the climate goals that we have.

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Matthias Giebel: Then we can essentially say that the brand association was not wrong about the three points. In other words, quality, innovation and sustainability are the three essential core elements of the brand's value proposition. Do you have a feeling for this, would you be able to establish such a ranking for yourself on these three points? Is there an outstanding one from your point of view or are they actually more or less equal?

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Alexander Drees: I believe that quality is certainly the essential factor, especially when there is a discrepancy between expectations and delivered quality in the case of product brands or also in the food sector when quality promises are made. You can see this very quickly in changes in market shares and sales. That is simply the basis of success: quality. We can also see from the GFK figures over the last few years that the importance of quality versus price has been increasing significantly for consumers in recent years. In Germany in particular, we are once again prepared to pay more money for quality. And we see that quality is also essential to consumers.

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On the other hand, I can no longer imagine a brand without innovation, ecological sustainability and, at some point, the social impact of a brand. So that, too, in this triad of the brand association are factors that I think are both at least in position 2. I'm having a bit of a hard time ranking them, because they're not going to go away. So quality, innovation, ecology and social impact - driven by a clear brand attitude - will continue to influence and shape the fortunes of a brand and the success of a brand and the survivability of a brand.

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Matthias Giebel: I would like to go back to the two value propositions that you mentioned at position number 2, innovation and sustainability. It is sometimes the case that one has the impression that they are not so easy to separate from each other, i.e. there can actually also be sustainability innovations where the innovation is to create a sustainability benefit, an improvement in this area. How do you assess that?

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Alexander Drees: Sustainability has become an absolute hygiene factor, especially in product innovation. Consumers expect very clear transparency from brands about supply chains and a commitment to achieving climate targets, as well as very concrete support for making their personal lives easier without having to make major behavioral changes. And in Germany, we already have the first brands proclaiming that they are already climate-neutral, and a few that are even able to advertise climate positively in their value chains. And that, of course, makes an absolute difference.

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Personally, I believe that packaging also has an essential part to play, because often, at least in the value chains I have been involved in, packaging has accounted for up to a third of the carbon footprint (packaging and transport). And we will not be able to avoid sustainability innovations, simply in order to be able to significantly change our ecological footprint in the direction of climate neutrality.

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Matthias Giebel: Ah yes, wonderful! You've already given us the cue to shift the focus from the brand to the topic of packaging. That means emphasizing the importance of packaging for the brand. This is a topic that has been discussed since primeval times: the role of packaging. At the very beginning, it was primarily about pure protection, storage and transport functions. Then the packaging was given convenience features (easy opening, resealing). Yes, and then there was really the first big topic for marketing, i.e. the role of packaging as a silent salesperson, which performs its own service by creating an emotional impact at the point of sale and establishing a bond with the brand. And there have been quite a few exciting concepts on this. What you are saying now sounds more as if there is an additional requirement with this role of packaging against the background of sustainability.

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Alexander Drees: Absolutely. Packaging is and remains "the first moment of truth", i.e. the consumer's first true encounter and engagement with a brand or a product. That means the requirements for product safety, but product and brand communication, the use such as opening and closing the package, these are essential and they will remain. But the dimensions, some of which are also very conflicting, that come into it: What is the environmental footprint of this package? Do I have enough space for nutritional labeling, like Nutri-Score? Or even climate labeling of which about 52% of consumers are already in favor of according to the latest Nestlé study (where you naturally ask yourself, what impact does this product have on my ecological footprint)?

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We also see that three quarters of consumers would like to have such labeling. In other words, another label on the packaging, but one that is getting smaller and smaller (because I want to avoid packaging material). This is also a conflict of objectives that we have as marketers or that the industry has: With more communication on a smaller surface area - on a product that is ideally at least recyclable or optimally compostable, i.e. created from sustainable raw materials. Again, there is a conflict; partly to the product safety barrier properties of a package. Above all, of course, there is also a certain cost pressure in the industry, both on the part of the packaging and the brand manufacturers, because not everything can always be obtained more cheaply. And innovations in sustainability in particular cost a good deal of money at the beginning, before they are well scaled up, but this is not necessarily recoverable from retailers and consumers.

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Matthias Giebel: Yes, that's a very exciting consideration, and against the backdrop of the importance of packaging. Of course, the question then arises as to whether the packaging

supports the brand in the positive way. But in the negative way - i.e., if it doesn't meet the additional expectations in terms of sustainability, then the packaging can of course also quite clearly prevent the brand from being successful. Is that right? Do you also see it that way?

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Alexander Drees: Yes, I also see it that way. So packaging will become increasingly important. Simply because of a certain cost pressure in the entire marketing mix. And that's why packaging is so essential, also to communicate the brand and the value proposition and the added value of this brand versus other brands. And from the areas just mentioned, smaller packaging, new types of barrier properties to protect product safety, and ultimately, in terms of innovation, to go completely to different types of packaging. This will be essential in the future. I think that both branded goods and the packaging industry will be challenged to a great extent. The importance of packaging must continue to be driven by innovation. And also to keep it compatible with the changing needs of consumers, especially in the direction of ecology, but also in the direction of interaction with packaging and with the brand via packaging.

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Matthias Giebel: Yes, that's also a good transition with the interaction to another topic, which has actually been expected for a long time, also in our industry. Something we can no longer imagine our daily lives without: digitization. Alongside sustainability, this is actually the second big buzzword of our time. And the expectation has also been there for some time that digital innovations will also affect both the packaging industry and the packaging, and thus the brand owner himself. So there, on the level of digital packaging itself, relatively little has happened yet. And if we take a look at the entire value chain, the digitization, automation of ordering processes, of packaging (etc.), all the way to digital printing, we are not yet where we would have thought we could be ten years ago. Do you see it that way, too? And if so, what do you think is still the problem with digital packaging and the digital value chain?

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Alexander Drees: When it comes to digital packaging, two issues are essential: The first issue is the spread of technology. If you take a look, a couple of years ago, I first had to download another QR code app on my phone and then it wasn't that easy to use either, meaning it took three or four steps before I could even scan a QR code. So that was quite far from a Seamless interaction with the brand - i. e. to make it as easy as possible. What has changed? Today, the QR code reader is now integrated in the camera app on many cell phones. That is, I turn on the camera, hold my camera on the product, and can immediately retrieve the information. The information and the interaction with this digital way has become much, much easier, which takes away the barrier for the consumer to use that as well. And we also see that such offers are now also being accepted in increased numbers.

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But the second factor for me is simply the content behind it. We still have brands that do communication like that in one direction: I'd like to tell you about myself without taking into account what the consumer wants to hear in the first place. So ideally, as a brand, I do enter into a dialogue with my users, because I listen once and ask, what are your needs and problems. But then I also offer precise solutions to these needs and problems, or offer content that

addresses these needs and problems. And here, too, the branded goods industry has become better at understanding these content needs, interpreting them and entering into a digital dialog, where in the end there are also experiences or recipes, as you mentioned, that are relevant to the consumer and relevant to the moment when I use this digital packaging for myself.

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The digital value chain is not an easy one either. Here, too, I actually see two major issues: One is speed to market and the second is transparency. In terms of speed, I still have some packaging processes that take six weeks from the final artwork to the delivery of the product to the factory. I think the challenge is: Here and there, there are already initial examples in the USA that it is not six weeks, but six days. So how can this entire value chain be integrated in such a way that the printing process, the design development process merges in such a way that I can save a lot of time and therefore money in the end? I need this money again to invest in other packaging or in the digitalization of these processes.

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The topic of transparency: Here, too, we have seen that consumers simply expect transparency: Where do my products come from? What does the value chain look like? What's inside, how is it produced, where is it produced? Blockchain technology in particular offers a huge opportunity for many industries to ultimately bring this transparency into the value chain. Both the packaging industry and the branded goods industry need to show a common interest and engage in joint activities in order to ultimately drive these two topics forward for digitization.

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Matthias Giebel: Okay, that's a clear statement. Now, with the topics of sustainability, which is already there - as you very nicely pointed out - and digitization, which we may have in three years, we have two topics that really do have the potential for disruption, i.e. really serious changes within a very short time. And as a rule, these are always topics where it doesn't help much if an individual does something, but rather an entire packaging value chain has to work together. If we now take a look at the topic of cooperation in the packaging value chain in concrete terms, how well do you think it works today? Are you satisfied with it? And what could perhaps be done even better?

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Alexander Drees: Yes, I would say OK. I think there are also examples of manufacturers in the packaging sector who have created a culture of innovation where cooperation works very well. And there are also examples of other companies that are caught up in optimizing the classic value chain and where people tend to work side by side. What I see, also in the use of agile working methods in the development of innovations, working together in partnership at an early stage is the philosopher's stone for success. Simply also because you can clearly define at an early stage what the goals are that you want to achieve together. You can divide up the work and achieve your goals more quickly and clearly, and you can also drive innovations forward much better from different perspectives. And I would also like to see even more cooperation between the packaging industry and the branded goods industry, even at a very early stage in the development processes.

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And on the subject of barrier properties with new materials, transparency via digitization, digital dialog with packaging (whether that has to be QR codes or certain other things that are technologically applied to the packaging): There are multiple ways that both industries can benefit from that as well. If you sit down and say, "Okay, where is our prioritization now actually, what is urgent, and how can we bring our competencies, which are quite complementary in some cases, together well to drive innovation?" This disruption of business models that we see everywhere, I think that will also increase the pressure on this kind of innovation collaboration. It also, of course, encourages the development of a culture of innovation in the business units. I think both partners can benefit from each other because, as I said, one comes maybe a little bit more from a consumer orientation, the other comes a little bit more from a front-end value chain process, knowledge and technologies. And if you bring these things together, then very strong innovations can emerge very quickly, also in the packaging sector. And I would simply like to see more cooperation at a very early stage.

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Matthias Giebel: Great, a fitting closing statement from innovation evangelist Alexander Drees. I will now simply try to summarize your statements in four statements at the end, if I have understood you correctly.

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The first point, quite obvious to you: The importance of the brand remains. If anything, it is gaining in importance. Particularly if it manages to integrate future requirements, especially the issue of sustainability, which is already there, into its performance profile and to do so credibly and continuously.

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The second point, the role of packaging, will continue to play a very, very relevant role in the future. And we see a strong need for innovation in the area of sustainability, particularly at the packaging level. Keywords such as climate label, contribution of packaging to the carbon footprint, which you mentioned, were mentioned. The point here is that packaging plays a very visible role in order to be able to really take up this brand promise and prove it at this point.

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The third point: We actually see the next gamechanger with digitization. We can already see the silver lining there. Whether it's three years before it actually plays a stronger role in the market or whether it's five years later. It's a topic that will come up. And of course, with digital packaging, packaging will once again be able to make a very significant contribution.

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And then the very nice concluding statement: No one can do it all alone. Brand owners can't do it alone. And their suppliers can't do it alone either. This requires cooperation, which should ideally be based on partnership, so that, especially with such disruptive topics, it can be achieved in the required short time. Does that suit you to a certain extent, Mr. Drees?

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Alexander Drees: Perfectly summarized.

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Matthias Giebel: Excellent. I would like to thank you very much for the interview and wish you all a good time.

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Alexander Drees: Thank you for the invitation. Stay healthy!