Challenges and Opportunities in Leveraging Innovation to Improve Profitability

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General Mills (GMI) has focused significant effort on cost savings since 2007, when it coined the phrase “holistic margin management” (HMM) and began its journey toward significant productivity collaboration across all of its U.S. retail organization businesses. The “holistic” portion of the effort is aimed at involving all business team functions in an effort to drive down costs. It is no longer simply a supply chain effort at productivity.

Unlike productivity efforts that are more narrowly focused on supply chain activities, this holistic approach to margin management crosses many functions and disciplines. It involves virtually all costs, from product development to packaging, ingredients to manufacturing, and logistics to trade, with business units taking the lead coordinating role.

The business incentive for this type of cross-functional effort is to free up money to reinvest in businesses and in turn grow the top line. This is a win-win for the teams, and the businesses grow as a result.

After several years of productivity efforts, finding new and viable cost-saving ideas and attaining the technical breakthroughs needed to advance beyond traditional approaches can be challenging. It is through perseverance that these challenges are met, often resulting in breakthrough innovations that can be used to transform processes and product designs.

Along its HMM journey many innovative tools and strategies have been developed within GMI by many different functions.

Although some do not view cost savings as an innovative area, GMI takes a different view. The company has developed many innovative ways to solve problems, eliminate waste, and deliver products consumers like. Three of GMI’s core innovations include development of consumer value equations, Project Appleseed, and its external G-WIN website portal.

**Consumer Value Equations**

To help identify areas of opportunity, the GMI Consumer Insights function developed an internal tool called a consumer value equation (CVE). CVEs are made up of different aspects of products for which consumers are willing to pay. For example, quality, equity, health, convenience, and emotion are all parts of the consumer experience. Consumers weigh experience characteristics when making a choice about a purchase. Deep consumer immersion followed by hypothesis testing are used in forming CVEs. The resulting equations are made up of statements that represent the different characteristics that are important to the consumer as they relate to a specific product:

\[ CVE = f(\text{quality, equity, health, convenience, emotion}) \]

Each brand and product demands different levels of each of these experience components, and the elements of each component vary significantly as well. Cross-functional business teams create and use CVEs to determine whether they are meeting the needs of the consumer through the product offering. The team may find it is under- or over-delivering on an important aspect and with this insight can work to better meet consumer expectations, drive increased liking, and/or reduce costs. Any way in which a CVE is used successfully can increase profit levels.

CVEs are a valuable and innovative tool GMI has developed to solve the challenge of understanding what our consumers value and delivering just that—no more and no less. This way we can drive increased purchases and reduce waste.

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Project Appleseed

As GMI embarked on its journey toward productivity collaboration, we quickly learned that we needed additional tools in our toolbox to aid in finding HMM ideas. The analogy for Project Appleseed was that we had picked the “low-hanging fruit” on our quest to increase profits. This led a cross-functional team to immerse itself in the productivity world inside and outside of GMI to gain insights into HMM ideas that would work and to find additional white space for new ideas. The vision for this project was to develop an “opportunity map” that describes potential new HMM “orchards” and helps determine which areas should be explored. The project team delivered a proprietary HMM opportunity map, laid out strategic enablers for HMM, and conducted internal application training sessions to drive use of the tool at a broad level in the organization.

This tool is flexible enough to be used by a single person at their desk or by an auditorium filled with employees trying to find cost-saving ideas for their businesses. Project Appleseed includes HMM projects such as cost of goods sold, productivity, product design elements, sourcing, manufacturing, and logistics. A favorite area of Project Appleseed ideation is waste. Several sections were developed in-depth to target elimination of waste in the process, from ordering ingredients and packaging to delivery at the customer dock. This area is of particular interest because it does not reduce the consumer experience but does save money and increase profit. The bonus from these projects is that they often increase the sustainability of our product life cycle as well.

The innovation process used to develop the Project Appleseed tool involved immersion in the problem itself, interaction with those that experience the problem firsthand, and creation of ideas to solve the problem. During immersion, the team did a thorough literature search on the topic of cost savings, including using an external company to find publications for review. In addition the team conducted interviews with leaders and experts within the organization in the area of cost savings and productivity. They also consulted with many academic experts on this topic and met with noncompetitive organizations to learn about how they find cost-savings ideas. This thorough benchmarking exercise ensured a robust process was developed that could take our cost-savings strategy to a new level.

Ultimately, the Project Appleseed team succeeded in creating a widely used and proprietary tool that has been applied regularly within GMI for the past five years. The GMI opportunity map contains 30 different areas teams can mine for cost savings, efficiencies, and reduced waste.

G-WIN

G-WIN is a tool designed to connect GMI with the outside world and the millions of problem solvers outside the organization. Peter Erickson, executive vice president of innovation technology and quality (ITQ) at GMI, is often heard telling ITQ employees that we need to move from “the lab is my world” to “the world is my lab.” This is a significant shift from our previous way of operating. To make the connection and collaborate with our partners in this new way, the General Mills Strategy and Innovation Team created G-WIN, a website portal where external problem solvers are able to see some of our most interesting and difficult problems and connect with GMI on creating solutions. GMI has coined the term “connected innovation” to describe this process. Some of the innovations are new product needs, packaging technology enablers, and process-related development advancements. Another area in which we find innovation through our G-WIN connections is cost-saving ideas.

Ideas can be submitted online through the portal, and many connections have been made using this format (www.generalmills.com/Home/Company/Innovation/G-Win.aspx). With the success of its G-WIN open innovation program, GMI has expanded the program to include digital marketing experimentation through G-WIN Digital. The G-WIN Digital program is designed to connect with partners who have digital marketing technologies focusing on video, social, mobile, and gaming developments. These digital marketing technologies will enable stronger connections with our consumers and help us build our brands beyond where they are today.

Conclusions

GMI has a strong track record of turning adversity and technical challenges into innovations and often proprietary advancements and advantages in the marketplace. Our strong cost-saving culture is no different. The difficult ongoing task of increasing our profits every year has led to many challenges that the technical and business communities have partnered together to solve through innovative ideas, tools, and programs such as CVEs, Project Appleseed, and G-WIN.