

# Procter's gamble

How much force do you need to twist the cap off a bottle? How do you keep clothes smelling nice even a week after they've been washed? Just some of the questions that allow one of the world's largest consumer goods giants to take its Indian brains global

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Stepping inside the innovation centre of the world's largest consumer goods company in suburban Bangalore, anticipation runs high: how does the \$78.9 billion Procter & Gamble Co., maker of Tide detergent and Pampers diapers, come up with its next blockbuster product? How big is the innovation funnel that has spewed out products ranging from paper towels to dentifrice to boatloads of over-the-counter brands?



Inside the fifth floor of Neil Rao Towers at Whitefield, a thin veil of

disappointment descends when all that comes to view is a bunch of P&G products neatly displayed in the hallway, and later, deliberately arranged in the conference room.

But as Ashish Chatterjee, head of the Bangalore Innovation Centre (BLIC), starts talking about some of the 200 brands that the company sells, and how it immerses itself into the lives of consumers, it dawns that the consumer business is far from being a pedestrian affair.

What should be the optimum force needed for twisting open a bottle cap? What's the right pressure for the plunger on a bottle of skincare cream? Why should the black box that a lotion comes in be replaced with transparent packaging, as with Olay products?

These and many such questions dominate researchers' work as they drive "purpose-inspired innovation" at P&G. "It's certainly not an aircraft engine, we don't always go for the big bang," says Chatterjee. "Our innovation is driven by consumer inspiration."

He sums it up as two moments of truth — one, when the consumer browses in a store and ends up buying a P&G product; second, when the person returns to buy either the same or any other item made by the company.

Defined by these moments of truth, BLIC was set up in July 2008 as one of the 28 innovation centres

■ **BLIC head Ashish Chatterjee poses with P&G's products at its Bangalore centre.**

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- Bangalore Innovation Centre Started: 2008
- Made in India: New 'holistic' designs of Head & Shoulder shampoo and conditioner bottles; a new molecule/active for skin improvement; transparent packaging of Olay products; microencapsulating technology that has gone into its fabric softener Downy

within P&G. It is a capability hub, smaller than some of P&G's mega centres, and provides modelling and open innovation resources for the global enterprise.

It was in 2000 that the Connect and Develop, or C+D, concept of open innovation was mooted by the then chief executive Alan G. Lafey. It wasn't the best of times for P&G: the stock had just lost half its value amid an aggressive growth plan and Lafey decided to shed bricks and mortar R&D infrastructure for open innovation. He directed that ideas and innovations sourced from outside should go up from 10 per cent to 50 per cent in the next five years.

A decade later, the company has far exceeded that limit. It has also changed tack — from getting the world to its lab to taking its labs to the world. For each of its 100 engineers and scientists working in Bangalore, the centre collaborates with five researchers outside.

Now, at two-year-old BLIC, there are a few tangible results, says Chatterjee, who is also director, Asia C+D and Bangalore Beauty Care. Using computer modelling, this cen-



■ Laboratories at P&G's innovation centre in Bangalore support computer modelling.

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tre has screened millions of molecules to identify a new molecule in the area of skin improvement. While it's into clinical studies now, Chatterjee emphasises that in such studies, knowing "how it works", rather than "why it works" is more important so that the active can be used in other skin applications as well. The computing expertise of BLIC, which Chatterjee likens to "Intel Inside", powers the P&G innovation engine but isn't visible from outside.

From simulating entire packaging lines to complete plant production units, modelling is used to reduce the start-up cost, eliminate waste in the system and to optimise existing operations. A new multi-category production system, designed at BLIC, has just been rolled out which Chatterjee says will save "several millions of dollars for P&G".

In this industry, there's no such thing as a cost that can't be cut.

As economic recovery has been slow in many parts of world and consumers are still hurting, premium brands continue to struggle. Meanwhile, in India, where the \$24 billion consumer packaged-goods industry is growing at 12 per cent per year according to Nielsen Co., P&G lags behind its closest rival, Unilever, in market share.

Historically, says Ramesh Srinivas, executive director, consumer business practice, KPMG Advisory Services

India, P&G has placed its products globally; it won't be looking at just regional benefits arising out of these innovation centres. He is right.

Though some of the BLIC designed packaging, such as of Olay Total Effects and Olay Regenerist, have been selling in global stores, one of the earliest examples of open innovation from here has gone into products that have not yet entered the Indian market.

For instance, BLIC and the National Chemical Laboratory, a Council of Scientific and Industrial Research laboratory in Pune, have developed a new micro-encapsulating technology that has gone into its fabric softener Downy. Yet to hit Indian stores, the company says its fragrance lasts for a week after the wash, longer than rival products.

The key lies in the technology that allows the perfume-containing micro capsules to open up when the dehydration process kicks in. The end product, says Chatterjee, is "cheaper and better". The laundry science groups in Newcastle and Brussels were also involved in the development of the product.

P&G, like many other consumer goods companies, is trying hard to boost sales in the US and Europe.

While sales growth in emerging markets is easier to come by, in mature markets the company needs to rely on lowering prices or come up with inno-

vative products, says Jack P. Russo, an analyst with the Edward Jones, a retail brokerage in St. Louis, US.

"P&G is relying on both of these measures but it appears the emphasis on innovation has been more pronounced since (Robert) McDonald has taken over as CEO (in June 2009)."

Consumers definitely want innovative products but because they are also seeking value P&G won't be able to charge a premium on these as it would have done in the past, added Russo.

The Cincinnati giant is already treading that path. C+D 2.0, which has been effective since 2008, is all about "value creation for the company and its partners", Chatterjee says.

P&G's products touch about four billion lives today. The company intends to add another billion to this in the next five years, spurred by its well-oiled innovation machine. To the two Asian 'mega' centres in China and Japan, a third one is being added in Singapore. "It's no secret Asia is a battleground," says Chatterjee, who is firming up plans to add more products as well as processes to BLIC's modelling capabilities.

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