

Case 2 innocent Ltd: being good is good for business

In a world of big commercial brands that promise to make you feel younger, look better or live longer, occasionally there are those that come along that try to be more grounded, more real and more authentic. A classic case in point was the Body Shop chain of cosmetic shops, which did not promise to reverse ageing or get rid of wrinkles but instead offered natural, authentic products and showed concern for the environment at the same time. innocent Ltd is a company in that mould. It has built a very successful business in the smoothie market by offering quality, fresh products and by behaving in an openly ethical manner. Its success has spawned a host of competitors and it now faces several challenges to its dominance of the sector.

Company background

innocent was founded in 1998 by three college friends—Richard Reed, Adam Balon and Jon Wright. In the summer of that year, the trio set up a stall at a small music festival in London. They started with £500 of fresh fruit and set up two bins, one with a 'yes' sign and the other with a 'no' sign. They also had another sign that asked customers 'Should we give up our jobs to make these drinks?' By the end of the festival, the 'yes' bin was overflowing and innocent Ltd was born. The vision of its founders, in the words of Richard Reed, was to be 'Europe's favourite little juice company', and innocent set about making products that contained 100 per cent pure, fresh ingredients with no additives. The unconventional approach that has characterized its development was illustrated through the use of both a lower-case 'i' rather than a capital letter 'I' in its name and its claim on its packaging that its smoothies contained no preservatives, no concentrates, no sweeteners, no additives and no funny business. Based on its initial success, its vision was subsequently broadened to be the Earth's favourite little food company by 2030.

Capitalizing on the growing trend towards healthy eating and living, innocent quickly became a marketing phenomenon. Its products were ideal for cash-rich, time-poor, health-conscious consumers, who do not eat enough fruit or have the time to prepare healthy meals. It achieved year-on-year sales growth levels of 100 per cent and reached an annual turnover in excess of £100 million in 2007. Its primary markets were the UK and Ireland, where estimates put its market share at 64 per cent, but the product was also sold in a variety of other countries throughout Eur-

ope, including the Netherlands, France, Germany and Scandinavia.

Company values and branding

One of the distinctive features of the company was the extent to which the beliefs and values of its founders were reflected in what it did and in the way that it did it. From the start, innocent aimed to be an authentic company that was honest with its business partners and its customers. Its ethos was to involve its customers in its strategic decisions, and to keep its products natural, simple and innovative. The company's core values were to be responsible, entrepreneurial, generous, commercial and natural.

The choice of the innocent name, which was a very unusual name for a brand of soft drinks, deliberately reflects this ethos. It represents the naturalness of the products and also that the company wants to do the right things in its key business decisions. When they couldn't afford a design company to develop the company's logo, the founders hired one of their friends, Dan Germain, to develop the now distinctive symbol of the apple with a halo, which again was illustrative of the company's core values.

These values were also reflected in how the company communicated with its customers, which was in a very relaxed and non-corporate style. This was most vividly illustrated in the packaging of its products. They were bright and colourful and contained text that was designed to bring a smile to your face. It included statements like 'shake before opening, not after' and invited customers to 'enjoy by' rather than 'use by'. Another label read 'My mum's started buying our smoothies (and that's after a year, the skinflint). They are as fat free as an apple or banana and that's because they are just fruit. Is that good enough for you mum? Right I'm off to smash some windows and have a fag.' This kind of statement effectively got the message across that the product was made from real fruit, but it did so in a humorous, non-preachy, non-corporate way. Yet another label read, 'Thou shall not commit adultery . . . that's one guideline we follow religiously; our smoothies are 100 per cent pure fruit. We call them innocent because we refuse to adulterate them in any way.'

Dan Germain, who subsequently became Head of Creative at innocent, has been quoted as saying 'lots of businesses spend a lot of money on creating an

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image and then telling people about it. What we do is tell people about our reality. Being innocent informs everything we are trying to do . . . paper from sustainable resources, a fresh tone on our labels, vans painted like cows, staff games in the park, going into the country to help pick elderberries for our juice. If we call the company innocent, we have a responsibility to be innocent.' He highlighted that innocent's major focus was on getting its products right and when that occurred it made branding easier.

Marketing activities

innocent's main business was smoothies. Having started off with three recipes, it has come up with almost 30 others over the years. Some of its most popular varieties have included strawberry and banana, mango and passion fruit, and pineapple, banana and coconut. It also introduced a range of kids' smoothies, which came in kid-friendly flavours complete with straws, and thickies, which were made with yoghurt and were thicker than regular smoothies. These products came in three different-sized packages, including 250 ml bottles, which were suitable for individuals who may want to consume the product while on the move, small cartons for its kids' range and large cartons for family consumption.

Because the product was a 100 per cent pure fruit smoothie, innocent was able to command a premium price for its range in the marketplace. List prices ranged from 99p for small bottles to £3.49 for its large cartons, prices that were generally higher than those of competitors such as own-label brands offered by supermarkets like Tesco. It cleverly deflected potential criticism of its prices by saying things like 'we would make them cheaper but they wouldn't be as tasty or as healthy because we'd have to use concentrates and other nasty stuff'. It was also innovative in how it has used sales promotions to encourage consumers to buy its product. An example of this is its 'Buy-one-get-one-tree' promotion, where a tree was planted by the company for every carton of smoothie purchased during the promotional period. Over 165,000 trees were planted in Africa and India.

Smoothies were widely distributed in supermarkets, convenience stores, cafés and delicatessens. Wholesale intermediaries were primarily used to distribute products to these retailers and the company also had a distinctive fleet of vehicles that reflected its laid-back image. Some were painted in the colours of different breeds of cows (and grew from really good grass man!!) and it also had its dancing grass vans (DGVs), which were vans that were covered in grass, making them distinctive and easy to spot. For example, one

DGV toured the UK and Scotland in 2002 providing samples of smoothies to over 1.3 million people.

Brightly coloured packaging and company vehicles are a key part of how the brand has built its presence in the marketplace. It did some advertising that was produced in-house to keep costs low but tended to focus mainly on gaining publicity through events and charity work. For example, it initially held a music festival called 'Fruitstock', which had the dual objective of thanking customers for their support as well as creating awareness of the brand. This was replaced by the 'innocent village fete', which has also been highly effective in enabling the company to reach its primary target markets. In 2007, a village fete was held in Regent's Park, London, and attracted over 60,000 people as well as raising over £150,000 for three chosen charities: the Samaritans, Friends of the Earth and Well Child.

A further distinctive feature of innocent's marketing was the extent to which it aimed to interact with and build relationships with its customers. A great deal of this was achieved by the fact that it tried to get out and interact with customers at village fetes or through its distinctive company vehicles. But, in addition, all its communications, such as that on its packaging and on its website, was designed to be two-way. Consumers were invited to contact the company on the 'banana' phone number, which was a hotline that anyone at head office would answer, or to visit the company anytime at its headquarters in London – Fruit Towers, a parody on the classic TV comedy series, *Fawlty Towers*. Consumers were encouraged to submit smoothie recipes as well as content and slogans for product packaging and advertising, and any 'sorry smoothie' stories, if they'd had a bad innocent experience. Its website, www.innocentdrinks.co.uk, provided entertainment through images and videos from various village fetes, and it also had pages on YouTube and Facebook. Visitors to its site were invited to join the innocent family to receive emails of news, chances to win free drinks, as well as invitations to village fetes. In return, they were a source of market information in that they were occasionally asked questions like 'What you reckon we should do next, as we sometimes get confused?'

Sustainability

In keeping with its core values, innocent aimed to be an ethical company that 'wanted to leave things a little better than we find them'. Each year, it gave 10 per cent of its profits to charity, most of which goes to the innocent Foundation set up in 2004, with the aim of building sustainable futures for the world's

poorest people. The foundation has worked with 18 partner organizations around the world such as Womankind Worldwide and the Microloan Foundation. Its partnership with Womankind supported Irula tribal women living in the Nadu coastal region of India, which was devastated by the 2004 tsunami and subsequent flooding. It helped to support over 430 families in setting up a brick production unit, which provided the income and bricks needed to rebuild homes. The Microloan Foundation provided small loans, basic business training and continuing guidance to vulnerable groups of women in sub-Saharan Africa.

Over the years, the Foundation has also been involved in several other projects, including, for example, the Big Knit. This involved older people from Age Concern around the UK, innocent customers and Sainsbury's staff knitting little woolly hats to place on the top of innocent smoothie bottles. The bottles were then sold in Sainsbury's and for every one sold, 50p went to Age Concern to help keep older people warm in winter. The project generated significant press coverage and innocent's sales increased by over 40 per cent during the period. It also won the Business in the Community National Example of Excellence for Cause Related Marketing at the 2007 BitC Awards.

Ethical behaviour has also permeated the company's key strategic decisions. All its bananas are bought from plantations that have been accredited by the Rainforest Alliance, an independent ethical auditing body that looked at farm workers' rights and well-being, as well as protecting ecosystems on the farms



innocent Drinks award winning promotion with Age Concern was intended to be both eye-catching and fun

and encouraging biodiversity. One hundred per cent recycled materials are used in packaging and labelling. Bottles are made from recycled plastic, while bottle caps are made from polyethylene, which is completely recyclable. Labels are made from 25 per cent recycled paper and 75 per cent paper from forests that have been certified by the Forest Stewardship Council. In 2007, innocent started measuring its carbon footprint from farm to fridge to recycling bin and, by the end of the year, had reduced it by 15 per cent. It has also encouraged its suppliers to go green and in the space of eight months, one of its carton co-packers had reduced its footprint by 60 per cent.

New challenges

In a short space of time, innocent Ltd has had a remarkable rise to fame. But having built a reputation as an ethical and 'innocent' company, it has faced many challenges in sustaining that reputation. For example, in May 2007, it was accused by one of its customers of having sold its soul to Satan when it announced its decision to trial its kids' smoothies in McDonald's. It has also been in trouble with the Advertising Standards Authority (ASA) for its campaigns for the 'Superfoods smoothie', where it claimed that the product was a 'natural detox'. It said the drink contained even more antioxidants than the average five a day, referring to the government's recommendation to eat at least five portions of fruit and vegetables per day. The ASA criticized the advertisement, claiming that 'neutralizing' free radicals did not amount to removing toxins and that innocent could not provide scientific evidence to support its detox claim. The brand's rise has been meteoric; continuing to grow so strongly may prove to be an even greater challenge.

Questions

1. What environmental trends created the opportunity for innocent to build its dominant position in the smoothie market?
2. Evaluate innocent's marketing mix. What are its strengths and weaknesses?
3. Analyse innocent's relationships with its customers. How have these relationships assisted with the development of the brand?
4. Critique the claim that innocent is an ethical company.

This case was prepared by Professor John Fahy, University of Limerick, from various published sources as a basis for class discussion rather than to illustrate either effective or ineffective management.