



Can brands save the world?
Let's hope so.





Richard Reed, Co-founder, Innocent Drinks

Richard is the co-founder of Innocent Drinks, the number one smoothie brand in the UK. The business was started in May 1999 by Richard and two friends, and turned over £100m in 2007, selling over two million smoothies a week in the UK and Europe.

After graduating from Cambridge University and working in advertising for four years, Richard and his two college friends Jon and Adam decided to set up a fresh fruit juice company. After six months of developing recipes in their kitchen, they tested their drinks with a wider audience from a stall at a music festival.

Nine years into the business Innocent has a market leading share in the UK of 73%.¹ The company now employs 270 people, and sells its 'little tasty drinks' in over 11,000 outlets each week. The drinks and business regularly win industry awards, including 'Best Soft Drink in the UK' (for the fifth year running), 'Growth Strategy and Business Innovation of the Year' at the National Business Awards and 'Growth Strategy' at the European Business Awards. As part of running its business in a more responsible way, Innocent gives 10% of its profits to charity, funds NGOs to develop more ethical ways of growing fruit and uses green electricity and recycled packaging to reduce its carbon footprint. Innocent also advises the government on entrepreneurship and ethical business.

¹ Source: IRI InfoScan epos sales to WE 03/11/07



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The Brands Lecture
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Richard Reed
Co-founder, Innocent Drinks



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I would like to start by thanking you. It is such a relief to come and find there are actually people here, especially on such a summery night. I feared that I would be addressing an empty room.

I also want to give a couple of caveats as I am nervous that people may be here under false pretences. Firstly, while I am one of the founders of the Innocent brand I do not claim to know much about marketing, so if you are here for marketing theory, strategy and models, I am afraid you have really lucked out. I don't have any of that stuff.

The second caveat is that the topic that I will be talking about is something of a personal passion of mine so I might go on a bit, but I will try not to make it too heavy and have lots of pictures to lighten it.

What I wish to talk about is the role of business and brands in society. And when I say 'Can brands save the world?' I mean brands in the widest possible sense. I have always seen the Innocent brand to be the business, the people within it, the products we make, the way we behave, our social contribution – to me all of it adds up to the brand, all of it is the business. For me the two are synonymous, they are one and the same. So whenever you hear me talking about 'business' think 'brand' and every time I say the word 'brand' think 'business'. For me there is no separation between the two.

So those are my caveats.

If I was going to sum up my presentation in a nutshell, it is about my belief that capitalism has got us into the hole that we are currently in as a world. But I am an eternal optimist and I believe capitalism, business, brands, can and must be used to help get us out of it.

So I will try to bring that thesis to life, breaking it into its constituent parts, and explaining how I reached this slightly simplistic view on the world.

So, my first belief is that, throughout the history of humankind, there has always been a dominant force influencing society. And while there have been different forces over time, ultimately it is business that has become the single most important influence on the way the world works. Capitalism has won.

It certainly was not always that way. I am no historian but if you look to earlier times in society, as in the painting below, religion was the first horse in the race to shape society. Wars were fought over it and it strongly shaped the social hierarchy. In subsistence agricultural economies it was the church that determined your place in the community in which you lived and in times of war it was your religion that determined the side on which you fought.



While religion was the predominant discourse of society for several hundred years, in the last century – the 20th century – political ideology took over as the single most important, though certainly not only, influence on the way society worked and operated.



The 20th century was of course the century of the great clash of political ideologies, of fascism and Nazism versus democracy, of east against west and the era of the Cold War. That was the predominant discourse in society that shaped the way people lived.

But it is business that, over the past thirty or forty years, has sprinted across the finish line to take first place. It has always been there in the background, exerting its influence to a greater or lesser extent, but it now feels to me that it is business – money, brands, however you define it – that is the tune to which the world dances. Of the hundred largest economies in the world, fifty-one of them are corporations. Wal-Mart is bigger as an economic entity than the majority of nation-states. I pass no judgement on that. I don't know if that is OK or not. I just think it is something that we need to be aware of, as it is, at the very least, significant.

By the way, I thought the picture below of plastic collectable Cold War unicorns was compelling proof that business has replaced the Cold War as society's predominant discourse. Lenin must be twitching in his tomb as he realises that the anti-commercial ideology he risked his life for has been reinvented as a merchandising opportunity. Still, they do look cute.



So that is my opening assertion, that business shapes society more than anything else these days. Certainly it is not the only thing. Religion is still present and dominant in some societies, and has been in the news a lot more over recent years, but if you were to ask what is the single most important influence on the way the world works right now, it is cash, money, business.

Now if you are an anti-capitalist demonstrator prone to throwing chairs through Starbucks' windows, you think this is a bad thing. But I have a slightly wider view. I think that if you look at business, it has achieved many brilliant things. It is the miracle of modern consumerism that explains why we are not still dying at the age of thirty-five in some miserable little hut, having spent twenty grim years married to some toothless hag or husband. We have pulled ourselves out of a subsistence lifestyle, our life expectancy has almost tripled and infant mortality is in the decimal places. That has been made possible by the economic miracle of sustained growth. And that is what business does.

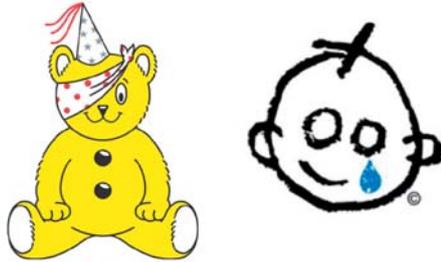


I know I am talking in the most basic terms here but business is the only creator of economic wealth in society. Every pound the government spends on schools, hospitals, roads, has been generated by business. It is

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not generated by the government; it is spent by the government. It comes from doing business. And every penny that is given to a charity such as those below, that is then spent on doing good things, is not created by that charity but by business.



So in many ways, I am a big fan of capitalism and what it does for us. But it is not a flawless system. And while it was never consciously designed to do so, the system gives rise to some unintended and undesirable consequences, to put it mildly.



The big one, and one that we are all facing at the moment, is the result of industrialisation and the fundamental change it is wreaking on our planet's eco-system. I come from the north of England, the very epicentre of the industrial revolution, so I feel strangely

guilty about it. Climate change as a result of industrialisation certainly was not intended and is certainly not desirable, but it continues to occur at an ever-increasing rate. Business must face up to itself on this as it is a leading contributor.

The other point on which capitalism stands accused is ironically one of its supposed USP's,¹ that 'it benefits everyone; we all get better off'. It's a great bit of PR for capitalism, but unfortunately, like a lot of sound bites, not quite the full story. Over the past thirty years, the thirty-three poorest countries in the world have got poorer in absolute terms, not just in relative terms. Now there are a myriad of different reasons for this, including corruption and a shortage of natural resources, but there are also imperfections and vested interests in the capitalist system that have made this so. The system is not working as well as it could. It is leaving some people out. The picture below left is from Africa today, not from when Bob Geldof made starvation a national concern back in the 1980's. This is from the 21st century; an age of surplus, but one where people are still dying of want.



Next to it is a picture from America today. This is another unintended consequence, obesity, caused in part by the over-marketing of food, sedentary lifestyles,

¹ Unique selling proposition

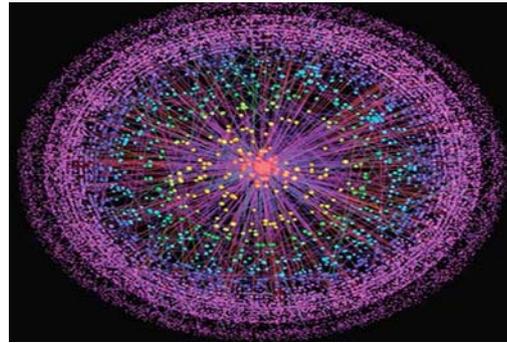
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the commercialisation of school playing fields and a whole host of other factors. Currently, the generation being born in America is the first generation outside wartime to have a life expectancy shorter than its parents, purely as a result of obesity. It just seems crazy – in the same generation, some dying from over-eating, some from under-eating. If an alien life force were looking down at our planet, you can hear them saying, 'These guys really don't get it, do they?'

So these unintended consequences have come along with capitalism, from a belief purely in market forces, that the only remit of business is to chase profit with no responsibility for the consequences, that its contribution to society should be purely the pursuit of wealth. It's time therefore to question such assumptions.

My parents can, hand on heart, say they didn't know about all this stuff and plead ignorance. But we are the first generation that can no longer claim not to know about these things, because another thing that defines our era is the unimaginable advance of computing power and the fact that now we can measure and model pretty much anything in the world. We cannot claim ignorance any more. And not only can we model and measure the world, we can now communicate with everyone in it for free at the touch of a button. This is an exciting prospect (the printing press is the only other thing in the history of humanity that has had as much influence as the internet in changing the dynamics of how information flows and the way society talks to itself) but it does mean that we now have to engage.



As an aside, shown above is a beautiful picture of a map of the internet. Each dot denotes a bit of traffic and a site that someone has visited, and as you get closer to the centre, that is where the most traffic and the most regularly visited sites are on the internet. This only becomes depressing when you realise that right in the centre is a site about Paris Hilton.

Anyway, this ability to talk to the world for free at the touch of a button is an amazing thing but it also brings a responsibility that we must face. Everything that is happening on the other side of the planet, we know about, we see and we can report. Our brands can be affected by this on a daily basis. I have seen it with Innocent. One story that one person finds can go global instantly, and we as people running businesses and managing brands need to be fully aware of the implications and consequences of that.

So, in summary, there is some bad stuff going on that we didn't intend to happen but which we are causing. It is happening at an ever-increasing rate and we cannot claim not to know about it any more.

That is where we are currently at.

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Maybe we can take some of the responsibility ourselves to sort out global warming just by making sure we are removing carbon from our supply chains.

So we have two options. We can either say 'Oh, sod it' and go out in style, or we can say 'You know what? Maybe we are not done yet. Maybe there is a way to bring this around.' Realistically this lead needs to come from brands and from business. People may say it has to be government-led or it has to be led by the individual, and of course in reality every single member of every single institution and community has to play their part, but we as business leaders are in a uniquely gifted position in a way that politicians and citizens are not. Business has significant resources in the form of expertise, time, computers, phones, people, contacts – it has got the stuff that other entities in societies have not.

This is not just me banging on like some naïve hippy. These are Michael E. Porter's words, one of the most recognised business gurus in the world. He says that if business can focus the resources it has at its disposal, it can have a greater impact on social good than any other institution or philanthropic organisation. And you can understand where he is coming from when you consider the scale of business, the resources we have, the relationships we have with consumers, the ability for us to talk to them and seed thoughts, what we can put our people behind and what we can do with our business systems. Maybe we can take some of the responsibility ourselves to sort out global warming just by making sure we are removing carbon from our supply chains. Maybe we can use some of our marketing dollars to promote the behaviours that will help make things better. We are uniquely gifted in the things that we can do. They can be little things, medium things, or they can be big things, but all of it can contribute to making things a little bit better rather than a little bit worse.

Of course, this is not an original thought. The next picture is of a guy who, as well as knowing how to grow a beard, was one of the first businessmen to see a



wider role for business than just the pursuit of profits. His name was Titus Salt. If you go to Yorkshire, you will find a place there called Saltair which is a town he built to house his workers. He was a big textile industrialist with a massive factory who saw his workers living in the slums of Bradford, always ill, never fit for work, just getting more and more ground down by the grim reality of poverty. So he built Saltair beside his mill and it still stands today. It is a beautiful place. He built houses, schools, hospitals and churches, but not pubs because he thought people shouldn't drink. He put in running water which was a first in Yorkshire and he did it for both social and economic reasons. It meant that he had a more loyal workforce, but he also couldn't justify his business to himself, seeing people coming in each day knowing what they would be going back home to. He was one of the founding fathers of philanthropy and of the social democratic political movement, and was a proponent of the idea that some people at the bottom end of society need help getting out of the situations in which they may find themselves. He lived nearly two hundred years ago but his thinking was way ahead of the curve. I find it inspirational.

At Innocent, we are still a long way from being the business we want to be in this regard. But we have set ourselves a goal for the business; to leave things a little bit better than we found them. I chose the picture



below because I know that by saying that it makes us sound like Miss World contestants but, hey, as far as I am concerned there's nothing wrong with Miss World contestants.



We try and bring this principle to our business, to leave things a little better than we found them, in every sense. Of course I mean economically. I am not going to stand in front of you and say that I do not want Innocent to become financially successful. You bet your backside I do. But that is not the sole motivation and not the breadth of our remit, although it is definitely part of the mix.

But you have to go beyond that, you have to work out how you can use your business and your brand to try and change things, in small ways, to leave things a little bit better than you found them.

We have a simple five-point strategy for doing so, summarised below.



One is that we will only ever make drinks that are genuinely good for people. We see that as our biggest responsibility. We will only make stuff that is net nutritionally positive for the people who drink it. Secondly, we will then make sure that we do what we can to increase the supply of ethically grown fruit in the world. As well as helping increase the supply, we will help create demand for it and pay a premium. So, the best fruit that we use comes from farms that have a better than average policy in terms of looking after the workers, local biodiversity and the local community.

Principles like this do cost. We are using Rainforest Alliance pineapples at the moment and have had a guy in the field for the past two years teaching farmers how to grow them in a more enlightened way. We are paying a 30% premium for those pineapples compared to regular, conventionally grown pineapples but we are hoping that, over time as more people come on board, the price will come down. I cannot have a business model that is paying 30% more for its core ingredients in the long term but we can for a while, especially if it is going to help increase the supply globally.

The third area we push hard on is sustainable packaging. We brought out the world's first recycled plastic bottle this year and we are now making progress on reducing the amount of paper in our cartons. None of these things are big in their own right but hopefully, over time, lots of these little things add up to something that is hopefully better than the other options on the shelf.

Fourthly, we try to tidy up after ourselves and make sure the business is resource efficient. Innocent is run on 100% green electricity and we are now working on our supply base. Our best success in recent months has been the signing up of our biggest manufacturing

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partner to green electricity. That instantly took out 15% carbon dioxide embedded in each and every Innocent smoothie carton, which is a material change and one that they feel is worth the 10% more they pay for their electricity.

The fifth part of our business model is to make sure a minimum 10% of profits go to charity each year, principally back into the countries where the fruit comes from to aid rural development projects. So that helps make sure that those people who need the cash a little bit more than us receive some of it. Giving 10% away is a nice headline of course, but it also means we are still keeping 90% for ourselves, so we aren't some kind of latter-day saints. If you cannot achieve what you need to achieve in your business with 90% of your profits, then you are probably not being as efficient as you could be. So that 10% going to the people that need it a bit more than us is a good way to keep the business honed.

We do all this stuff because we are lucky enough to be independent. Because I set up the business with my two close friends with a blank piece of paper and no one to answer to apart from ourselves (and our mums), we could make Innocent the way that we wanted it to be. We've never had to argue the business case for doing these things. So I know it is much harder if you are managing a business which is not your own. But if I had to come up with an economic rationale for why it is worthwhile for a business to widen its remit and think a little more about its external impact, leaving things a little bit better than they were found, there are three obvious areas I'd look at. One is that it gives you a more engaged, loyal consumer base. I don't think it translates into many sales but I reckon 2 or 3% of our consumers are a bit more loyal to Innocent because of our approach. It may help keep a few more people a

bit closer to us and there are some people that, when they hear our story, like it and hopefully will be more likely to buy us over anyone else. It is not the reason we do it, but if I was to make a pitch for why companies should think about these things then that is one to take to the Chairman. Good luck doing the ROI analysis though because you would find it hard to show a payback. Quite simply it costs more than it pays in this respect.

That said, it can also bring you closer to retailers. Each year we do the Big Knit. It is this crazy thing where we get people to knit little woollen hats which are then stuck on the Innocent smoothie bottles and sold through our partnership with Sainsbury's. For every one that is sold, 50p is donated to charity, to Help the Aged and Age Concern to keep old people warm during the winter. Twenty-thousand old people in the UK still die each winter through lack of heating which is staggering in the 21st century.



So that is a good example of social marketing and gets us a bit closer to the customer. I would rather be doing this than a BOGOF, although in reality we have to do BOGOFs too. Again, no chance of a payback. In fact we have had a disaster on this! An amazing guy at



Innocent came up with the original idea for The Big Knit, to which I said 'Good luck mate, it's never going to work'. I just couldn't believe he could get grannies to knit these little hats. Surely they would have to be made in a factory, but he said 'No, no, I'll get volunteers to do it'. I thought no chance, so happily signed off his suggestion that we would donate 50p a hat, thinking the numbers would be tiny. Anyway, year one he gets 3,000 hats knitted. Fine. The second year it is 20,000. I am starting to get a little hot under the collar. The third year it is 80,000, the fourth 220,000 and this year it is over 400,000 hats, all knitted by individual volunteers. He is bankrupting the company! But, if you are going to go down, it is a good way to go down.

But you could also argue that doing something like this and aligning yourself with your core customers is a way to build business benefit. Again, you are never going to show it on a balance sheet. You never get back more than you spend in a way that you can measure.

So if you want a commercial reason for doing these things, for having a wider remit, it is because it allows you as a business to keep an intelligent, engaged and committed group of people engaged and committed for longer. I personally derive satisfaction from Innocent with its high rate of growth and commercial success but I also derive strong motivation from the fact that we are trying to do things just a little bit differently, and from the next picture, the rest of the team do too.

Ultimately, we do it because we have always done it that way; it is just the way we wanted to do business. But it is very easy for us because we set up the business from scratch. It is much harder if you are looking after an established brand, but the basic principle remains, that there is a need for business to move more in this direction. And there is an

opportunity commercially, be it with your consumers, your retailers or your team if you do so.



This is not supposed to be all hippie nonsense, other people much brighter than me also believe there are commercial benefits. If you go back to Michael E. Porter, he said that for each company there is a particular societal problem that it is best equipped to help resolve because of the nature of its resources, skills or people, and it is also the way it can gain the greatest competitive advantage. It is a way to hone skills, to learn the things that need to be learnt and to improve financial performance in the market.

Some of the people a hundred years ago were thinking way ahead of the curve. Take Henry Ford for example (and look how rich he was by the time he died) who had a wider vision for his business, wishing every working man in America to have access to a car. Now of course that meant more sales for him, but he could have achieved that differently. The market at the time was all about selling expensive cars at high profitable prices. He said, 'No, actually I would much rather sell more cars at a much lower price and take less profit.' He saw it as the way to give more people access to the enjoyment and benefits of owning a car while giving

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more people the chance to earn good wages (he paid double what the rest of the car industry paid at the time). Those were the aims he had in life. I love this about businessmen a hundred years ago; they were extremely ambitious commercially but also considered their legacy socially.

The best example I heard recently of a company doing something they were great at and applying it to a situation where they could help involved Microsoft.

A team of Microsoft employees in Eastern Europe at the time of the Balkans War went to their senior management, thinking that there must be something that they could do to help. The response was, 'We are a software company. What do you expect us to do?' They offered to go off, think about it and come back with a solution. They spoke to some of the NGOs there who told them, 'The biggest problem we have is refugees. We have 200,000 displaced people, we don't know who they are, they don't know where their family and friends are, and everyone is desperate to meet everyone else. Basically we have a database problem!' So they went back to Microsoft, agreed some time with their boss and they wrote and coded a database for tracking refugees, logging who they are and helping them meet up with members of their family. Now, that bit of software is used by most NGOs to help refugee situations across the world.

So, no money for Microsoft (and they are not seeking royalties) but they have a team that honed its development skills and boy, are you going to feel closer to Microsoft when you have worked in a team that has developed such a system with such a social benefit. It is people like the Microsoft team who, by doing their bit, by using the considerable tools and skills of business at their disposal, are helping to leave things better than they find them.

As Westerners working in business, not only do we have the responsibility to help tackle some of these problems but we also have the opportunity. There really is a win-win out there to use the cliché; we can get rich and do good too. Those people currently dying, could one day be buying. Plus it is going to make us look much better down the golf club. Even if we just do it for our own selfish reasons, let's do it.



I think history will judge us harshly. History's perspective of what is acceptable to society tends to be different to what contemporary society thinks. Three hundred years ago it was socially acceptable to be in the business of slavery. The picture above would be a right PR disaster in today's world: first there is child labour on the scene, and then they are using that child labour to help bring back some black people to be used as slaves. It is unimaginable for us now to think that this was a legitimate way to make money but back then it was A-OK, it was best practice. I suppose if you were in PR you would try and justify it these days by saying, 'Well, at least we brought them by boat, we didn't air-freight them.'

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Consequently, there is a real risk that in two hundred years' time people are going to look back and say, 'Right, so you knew about all these problems, in terms of climate change, poverty in Africa, human rights abuse and all this other weird stuff, and, with all the money, time and resources you had, all you did was sell frozen pizzas.' Now I am not against frozen pizzas; they are a valid contribution to society, as is the whole economic engine of selling them. But can't we sell the pizza and do our bit too?

So it is not about being down on business. In fact, it is about being up on business. I am just asking, can we slowly move business and what brands stand for from being purely about money to being about money and one other thing? Bearing in mind our skills as marketers, our knowledge of social trends in society, the relationships we have with consumers and the resources at our command, isn't there just one other thing we can add? Yes, it has to be money first and foremost. That has to remain business's main remit. But can we add something else? Can we move to money **and**...?

We are the generation that has the opportunity to improve capitalism; a good system but nevertheless one that is slightly flawed. Our job is to upgrade it, to develop Capitalism 2.0, a new and improved version that irons out the glitches we got with the first version, like human rights abuses, disease, poverty and climate change. We have to lead that change and ask, can we develop a better version of the system, one that allows us to meet our commercial aims (which should and must come first) but which also has a slightly wider remit? Can we use the brands that we manage, that people connect with and which unite the teams in our businesses, to help leave things a little bit better than we find them?

I hope so.

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This is the eighth in the Brands Lecture series.
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