

VERHAERT INNOVATION DAY – OCTOBER 20th, 2006



Connect & Develop
P&G

Andre Convents

P&G Connect & Develop

convents.a@pg.com



MASTERS IN
INNOVATION

www.mastersininnovation.com

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P&G Mission

We will provide products of superior quality
and value that improve the lives of the
world's consumers.



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How to Deliver against the Mission

- The Business Model
- The Need to Invent and to Innovate
- The Need to Reach Out (“Connect + Develop”)
- The Need to Commercialise

Consumer is Boss

- Three billion times a day, P&G brands touch the lives of people around the world
- Winning at the first moment of truth (in store)
- Winning at the second moment of truth (at / away from home)



P&G: The Company of Brands

- They are the lifeblood of the Company
- They build relationships and trust
- They are the carrier of innovation

P&G + Gillette®

22 Billion-Dollar Brands





- 169 years of providing trusted quality brands
- The world's largest consumer products company¹
 - Sales of approximately \$67-70 billion²
 - Fifth largest company on the S&P 500
 - Over 135,000 employees in operations in over 80 countries worldwide

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¹ Based on sales effective 10/1/05 with the merger of P&G and Gillette

² P&G @ \$57 billion + Gillette @ \$10 billion



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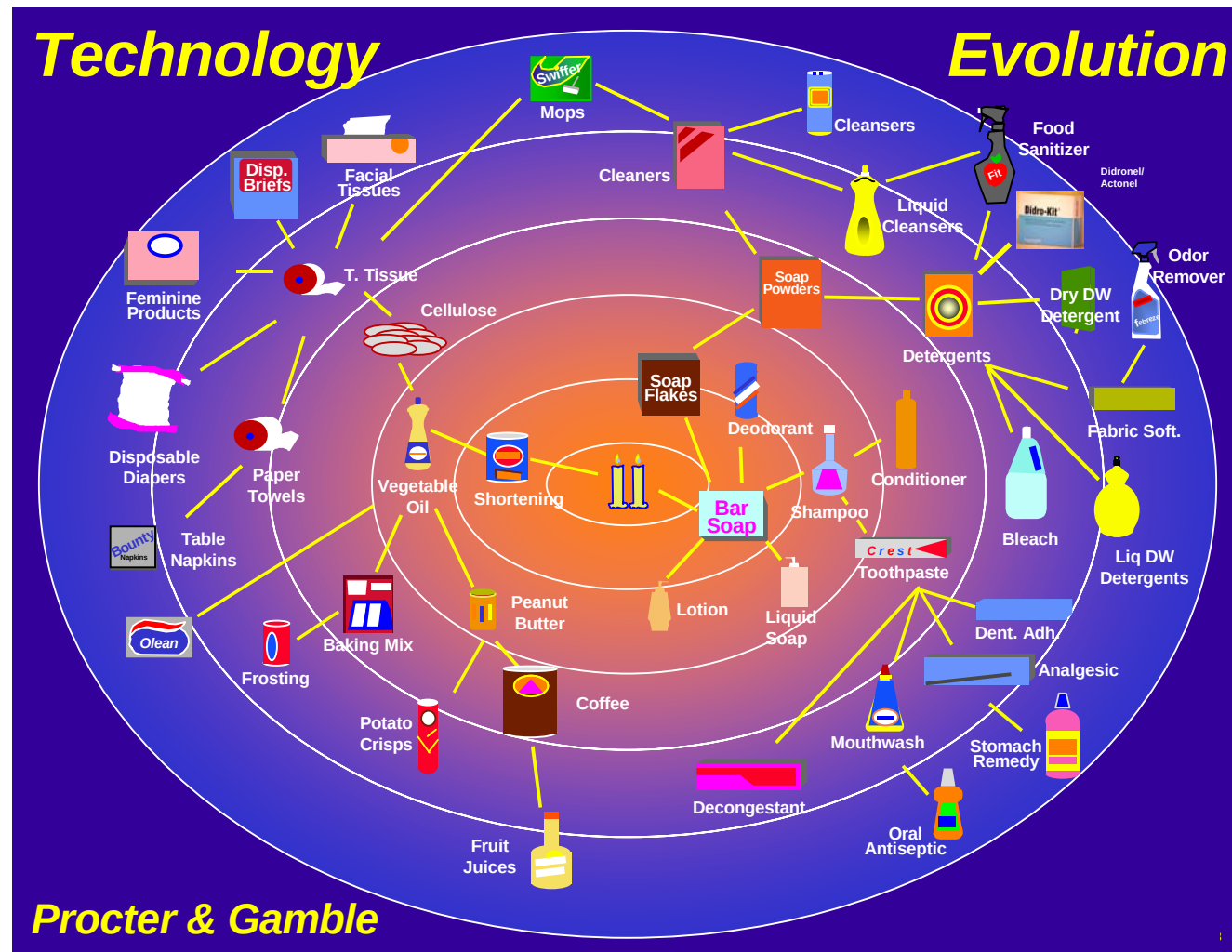


Growth Goals

- 5-7 % Sales Growth
- Double-digit Earnings Growth

→ One new \$100 million business every week!

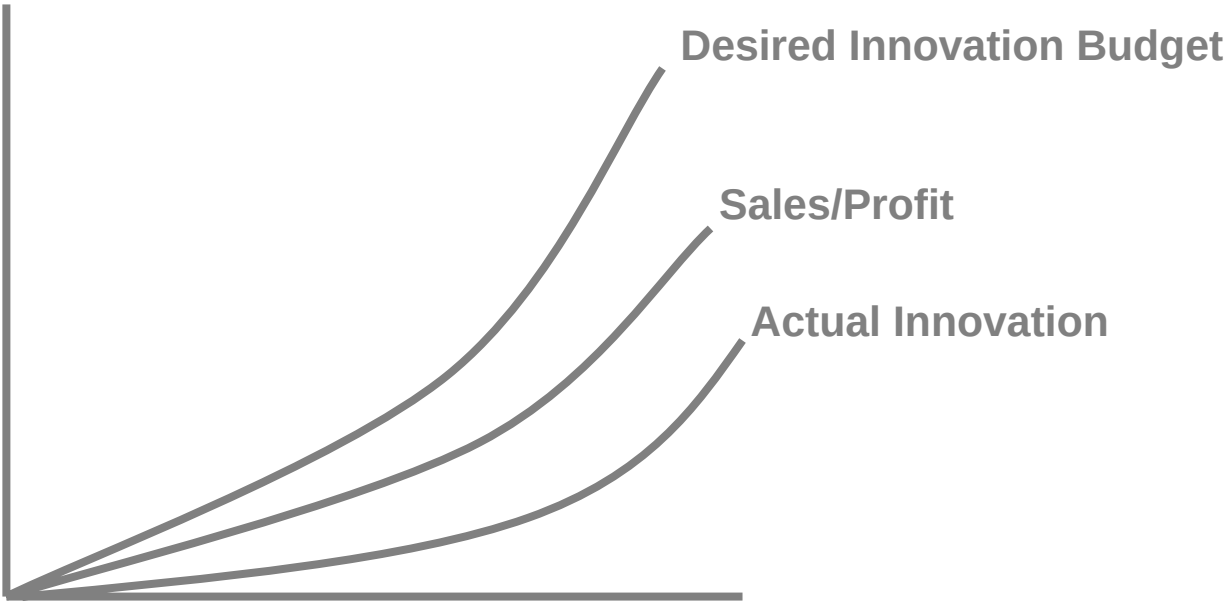
Historical Growth Through Internal Connections



Current Innovation Business Model

Not Sustainable for Most Companies
In Our Benchmarking

“Do more less with less and get more.”



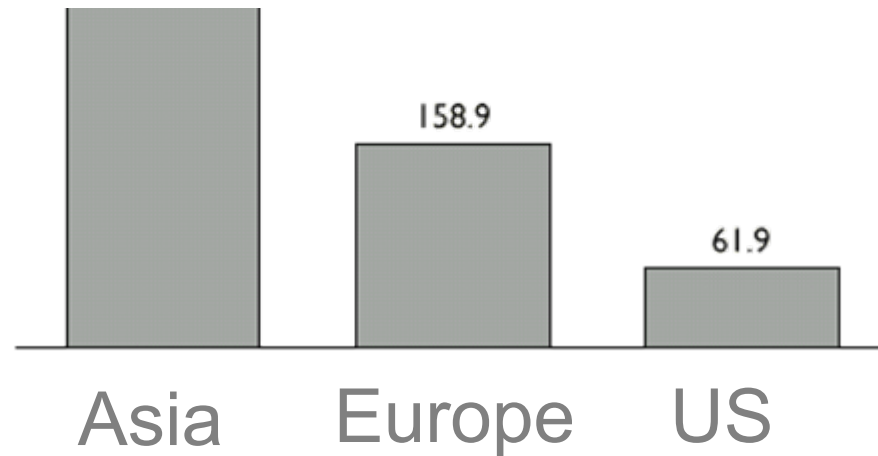
- We must work on more discontinuities.
- We must leverage external innovation assets.

Challenges in Innovation I

Decreasing scientific engineering talent pools which are geographically dispersed.

Number of Engineering Degrees:
Asia, Europe, US

1998



Source: Research & Technology
Executive Council "Idea-Sensing
Efficiency – Practices for Broadening
Access to External Technology"
Innovations 10/01 – page Essay 6



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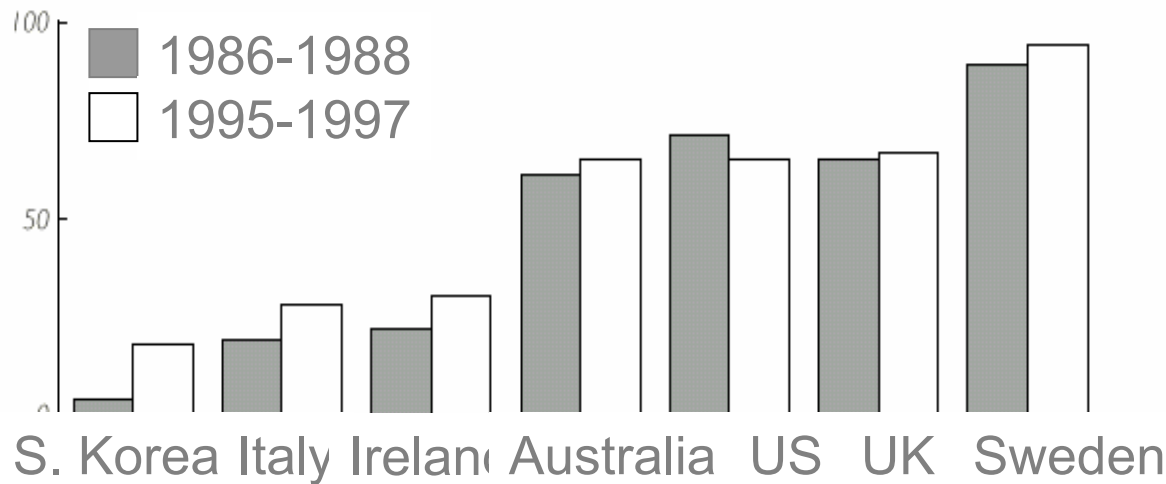
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Challenges in Innovation II

Increased global dispersion of research activity

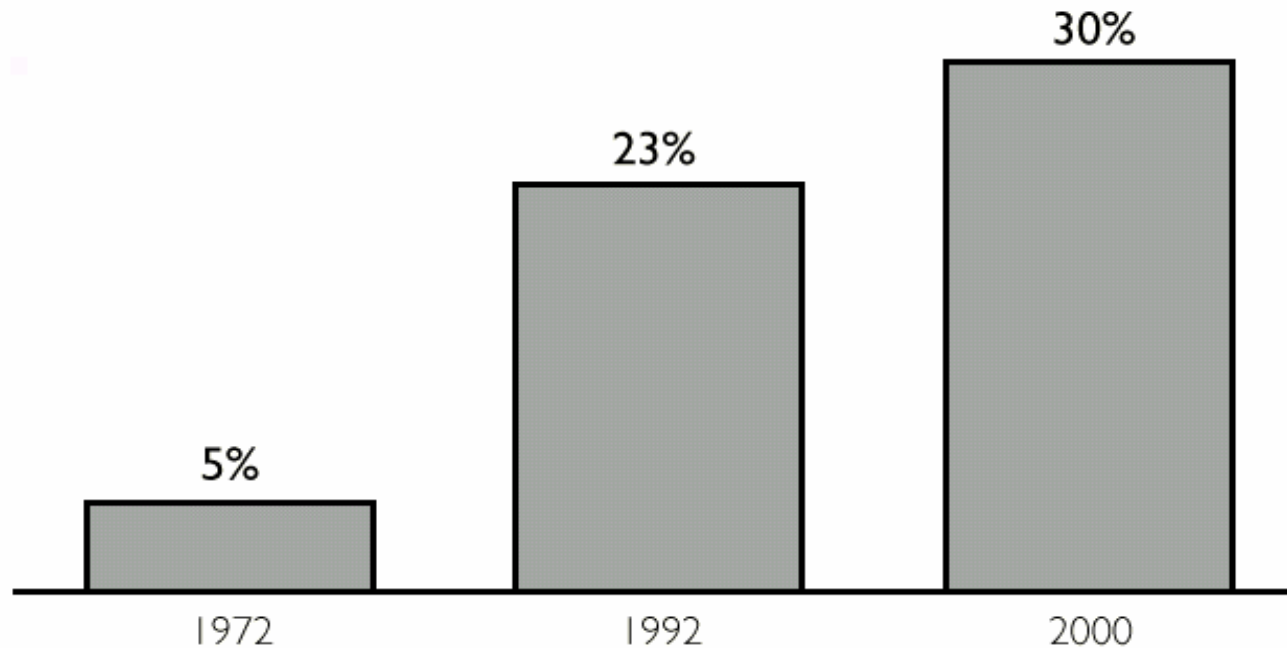
Number of Scientific Articles in Peer-Reviewed Publications per 100,000 Population



Challenges in Innovation III

Small Companies' share of Innovation is increasing.

Percentage of U.S. Patents Going to Small Companies³



Europe has more SMEs than the US,
but lower number of employees per company.



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SMEs: the new innovators

- Europe has more SMEs than the US, but lower number of employees per company. In US more than 100 employees, Europe less than 50.
- 50% of SMEs are subcontractors from larger companies/industries or niche business.
- Micro SMEs innovate at least 2X faster per employee than larger companies.

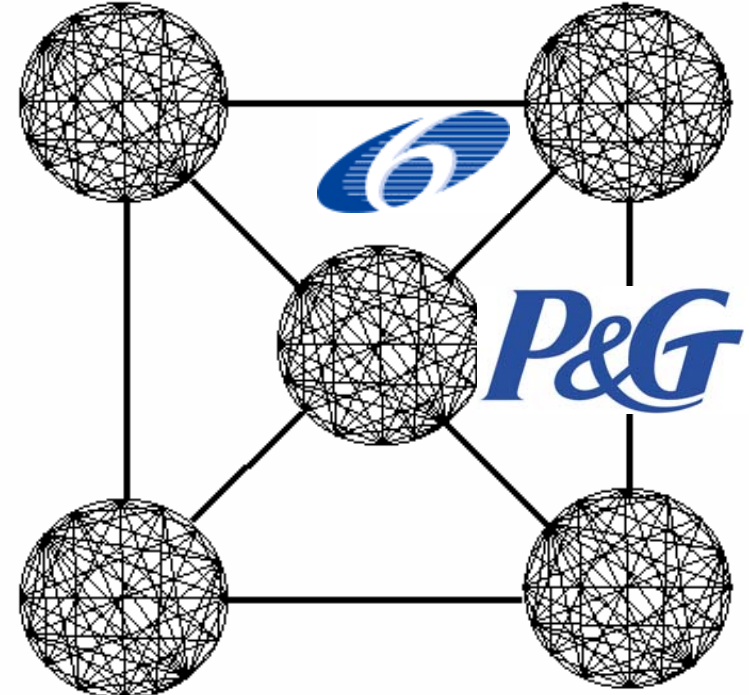
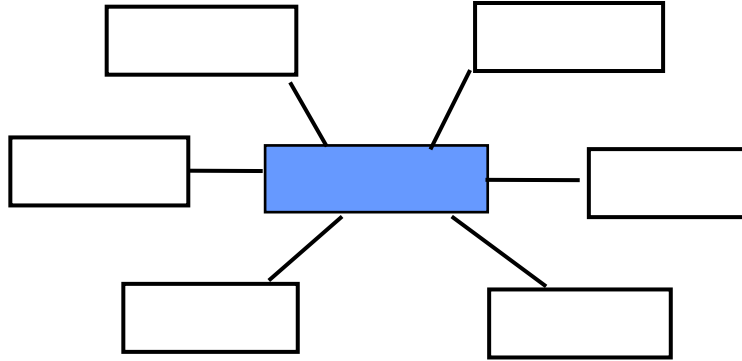
We need to work in symbiosis to create value

Solution: network of stakeholders

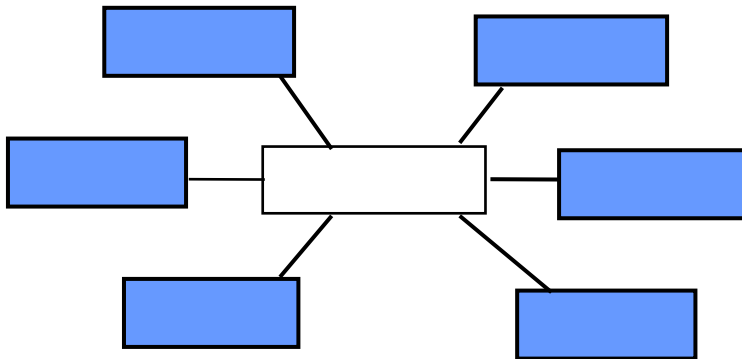
From Centralized Lab...

...to Global Networked Communities

EU institutions



to De-centralized Labs ...



Global Ventures and SMEs

Global Scientific
Communities

Global companies



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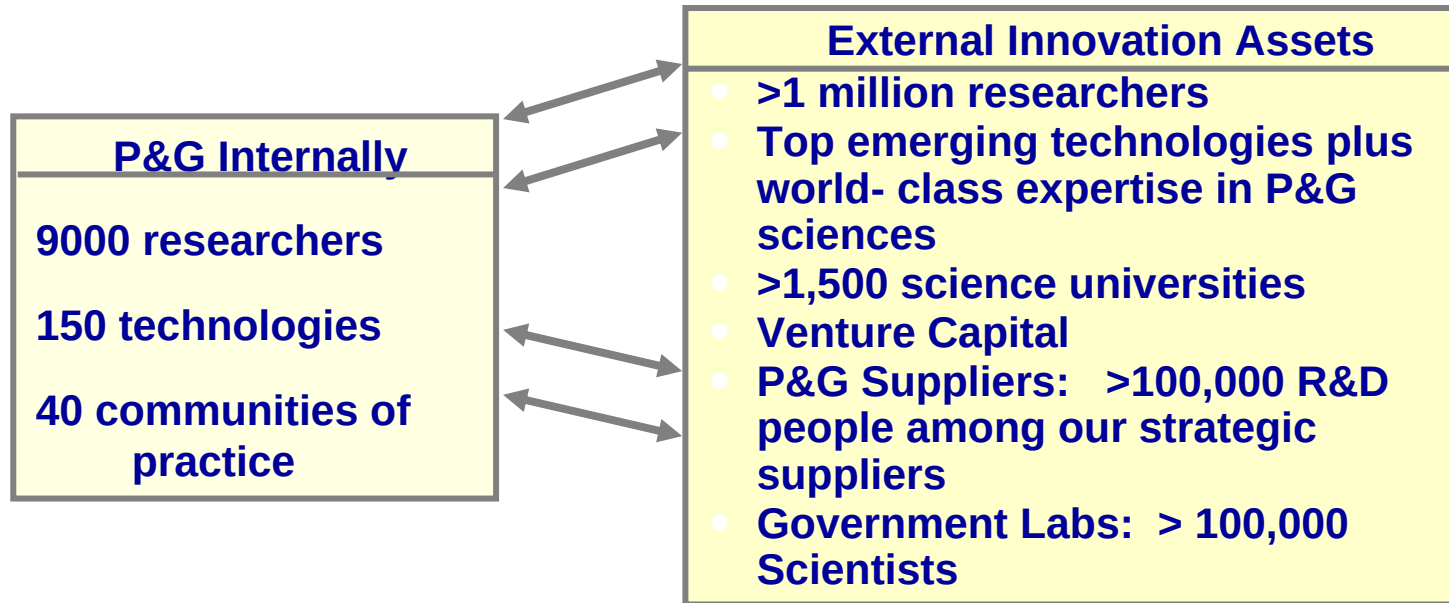
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Prospecting for Technology

Significant Innovation Assets Exist Externally



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Research & Develop must become....



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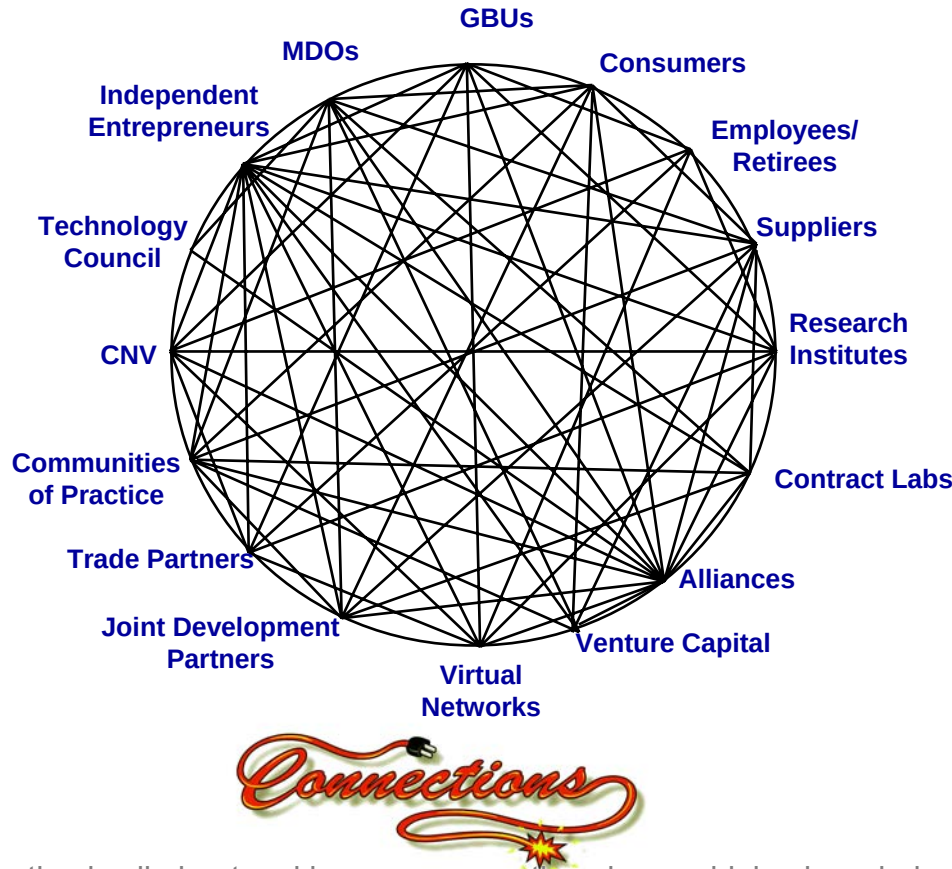


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Turbocharging P&G's Innovation Through Leveraging External Innovation Assets

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“We will acquire 50% of our technologies and products from outside P&G.” - A.G. Lafley

Innovation is all about making new connections by combining knowledge in new ways or bringing an idea from one domain to another. Creating the capability to make diverse connections holds the promise to revolutionize innovation productivity.



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Establish P&G Technology Entrepreneur Network

- >50 Technology Entrepreneurs Worldwide
- 1,100 Leads in the First Year
- 18,000 Fairs
- Product Pickup in 126 Countries



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e-R&D Communities: Pay-for-Performance External Networks

Access to
Global Community
of 15,000 Chemists

Innocentive.Com



**External Web-based
Problem Solving**

Results

On average, each problem is
attracting 70 solvers from
around the world.

Access to Community of
Over 10,000 Companies and
Research Labs

NineSigma.Com



**External Business
Solution Discovery**

Results

50% hit rate on identifying
significant new partnerships
and capabilities.



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YourEncore

www.mastersininnovation.com



The screenshot shows the YourEncore website with a navigation bar at the top containing links: Home, How It Works, Experts, Member Companies, Opportunities, FAQs, and Contact Us. The main content area features a large image of a globe with the text "People don't retire anymore, they just go on to do other things." Below this is a photo of skydivers and the text "YourEncore™ believes that" followed by two bullet points: "Retirees will continue to provide value - at the highest level - to companies on a consulting basis" and "Companies will greatly benefit from accessing talents from other companies or organizations". To the right, there is a section titled "Accelerating Innovation Through Proven Experience" with a quote from Brad Lawson, President & CEO of YourEncore™, stating "Innovation happens through people... whoever has the best people wins". Below the quote is a paragraph explaining that YourEncore™ is a service provider connecting technology and product development opportunities of member companies with world class talented individuals – experts in their chosen field who are ready to apply years of experience and talent from a lifetime of creative problem solving. The bottom of the page features a paragraph stating "YourEncore™ is all about providing you with terrific people...some you may know and some from other companies or organizations...all can bring new innovation DNA to your company."

Home How It Works Experts Member Companies Opportunities FAQs Contact Us

yourencore™

People don't retire anymore,
they just go on to do other things.

YourEncore™
believes that

- Retirees will continue to provide value - at the highest level - to companies on a consulting basis
- Companies will greatly benefit from accessing talents from other companies or organizations

Accelerating **Innovation**
Through **Proven** Experience

We welcome **Boeing** to **YourEncore™**
as the newest member company.

*"Innovation happens through people...
whoever has the best people wins"*

Brad Lawson
President & CEO
YourEncore™

YourEncore™ is a service provider connecting the technology and product development opportunities of member companies with world class talented individuals – experts in their chosen field who are ready to apply years of experience and talent from a lifetime of creative problem solving.

YourEncore™ is all about providing you with terrific people...some you may know and some from other companies or organizations...all can bring new innovation DNA to your company.



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Example #1: Swiffer

Background:

- P&G successfully launched Swiffer cloths for quick floor/surface cleaning
- Expanded line into Swiffer Wet, Swiffer Wet Jet, Swiffer Dusters
- Desire to increase consumption of cloths
- Consumers still vacuum to get larger particles not



What's New With Connect + Develop

Vision

Previously

Scope

- Acquire 50% of ideas externally

<25% of Innovation
Externally Sourced

Focus

- Cooked Read-to-Go Technology
- Cooked Ready-to-Go Products
- Disruptive Technologies
- Commercial Connections

Mostly Technology Leads
That We Reduce to
Practice

Rewards

- Shared Risk/Reward Agreements

P&G Pays and Owns
Everything

Organization

- Manage Know-How and Know-Who

Manage Know-How

P&G Intellectual Property

- License, Sell, and Donate Where
Appropriate

Keep It Within P&G

Example #1: Swiffer

Approach:

- License Swiffer name to Royal/Dirt Devil for combination sweeper vac
- Royal: small appliance mfr. with Dirt Devil® trademark
- Royal incorporates Swiffer cloth into design;
- Appliance includes starter pack of Swiffer cloths



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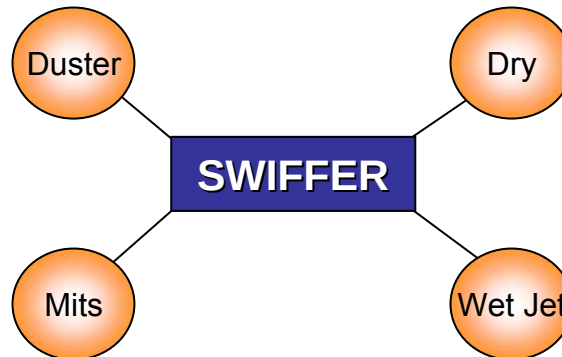
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Example #1: Swiffer

Results:

- Strong sell-in of new appliance for Royal
- Increased consumer satisfaction from combination vacuum/sweeper
- Increased Swiffer consumption



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Lessons

Reapplying Cooked Technology and Advertising/Visualizations



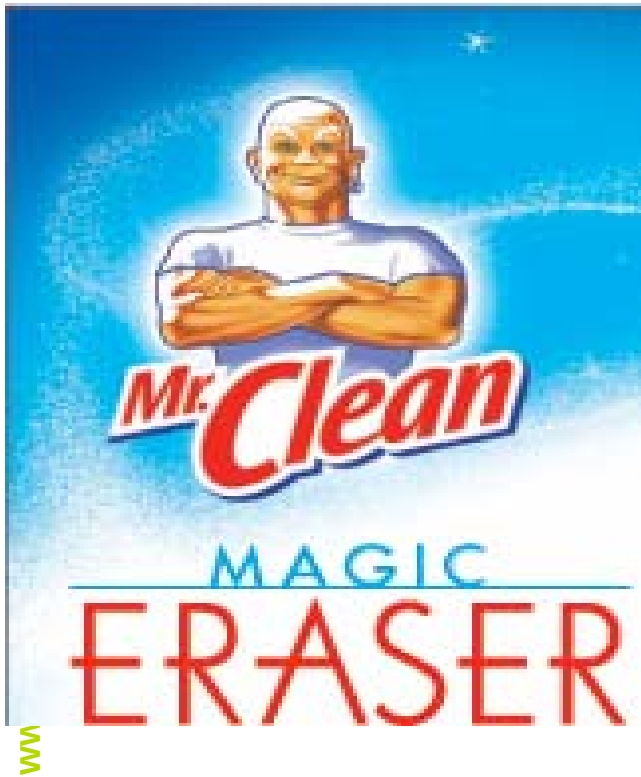
Swiffer Dusters (Project Gordon)

“How can we identify and
commercialize cooked technology
and marketing?”

- Gordon was launched by Unicharm in Japan 9/01. Early consumer/market results were very strong:
- P&G expressed interest in Gordon 10/01.
 - Japanese copy proved to be successful in US market as well – Top 20 scores for all key measures. Reapplied successful images and “consumer copy” for launch materials and packaging.
 - Used product from Japan for all consumer research work
 - Leveraged Unicharm manufacturing expertise to launch Dusters within 18 months

Examples of F&HC C&D

Product: Mr. Clean Magic Eraser



External Connections:

Product Prospecting (Japan)
BASF Melamine Polymer



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Example #2: Spin Brush

Leveraging a Cooked Business Idea

Background

- SpinBrush started in U.S. (one of about 200 toothbrush variants in the market).
- Dr. Johns came to P&G to license Crest name.
- Within a year Dr. Johns created the concept and landed in WalMart. The inventors are from the toy industry. The brush is a reapplication of the “Spin Pop” toy.
- Dr. Johns was at .5 Million units/month when contacted P&G. P&G is currently running flat out and selling about 6 million units per month with considerable white space.
- We purchased them 5 months after first contact.

Learnings

- Dr. Johns SpinBrush was a re-application of Spin Pop, a lollipop device developed by a toy manufacturer.
- Good ideas/technologies will come from areas we never envisioned.



SpinBrush

“How can we find more business ideas in early stages and in ‘non-conventional’ places?”



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Case Study #1 – Glad JV

C&D Example – With a Competitor

P&G
Technology

+



Marketing



External Connection: Clorox Joint Venture



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About SusChem

- **What is the European Technology Platform Sustainable Chemistry?**

The European Technology Platform for Sustainable Chemistry seeks to boost chemistry and chemical engineering research, development and innovation in Europe.

SusChem is a multi-stakeholder platform that bridges academia, industry, SME's, NGO's and other relevant stakeholders.

- **Strategic Research Agenda**

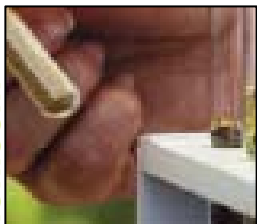
The Agenda describes what scientific questions need to be answered to accomplish the 2025 vision, by identifying strategically important issues with high society relevance, defining priorities for future research and presenting roadmaps for those thematic areas aimed at providing 'fertile ground' for subsequent commercial development and exploitation in Europe.

Technology Sections in SusChem

Industrial Biotechnology

Colja Laane

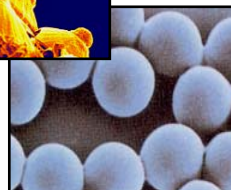
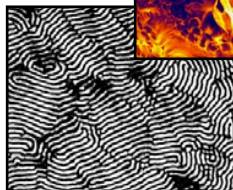
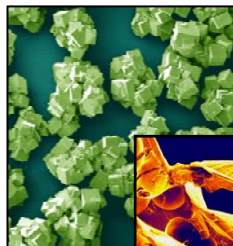
DSM



Materials Technology

Rüdiger Iden

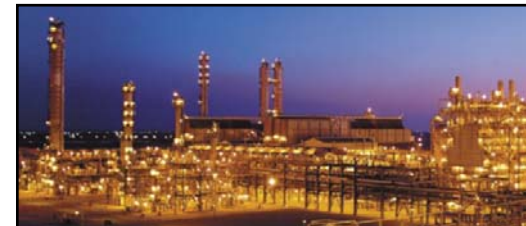
BASF Aktiengesellschaft



Reaction & Process Design

Klaus Sommer

Bayer Technology Services



Horizontal Issues Group

Russel Mills, Dow

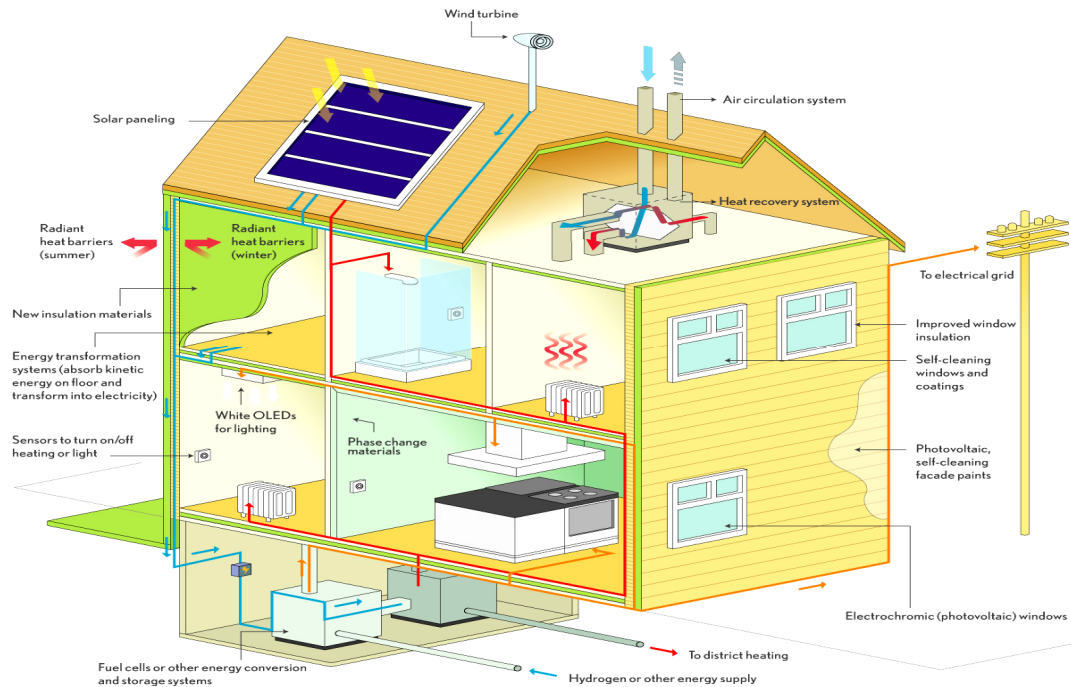


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Smart Energy Home



A Smart Energy Home creates more energy than needed for comfortable and healthy living of its habitants.

True Networking



- Participation from almost all European Member States
- SusChem Board includes academics and industrialists plus positions for consumer organisation and financial community
- Participants in technology groups include various SMEs and downstream users (e.g. automotive and electronics industry)
- Horizontal group participants include NGOs, consultants, etc.



and many more ...



GESELLSCHAFT DEUTSCHER CHEMIKER



DECHEMA e.V.



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To Conclude

- With customer needs clearly identified, innovation becomes the critical parameter in assuring sustainable growth for all involved.
- Networks are increasingly becoming the new enabler of innovation.
- Europe is under-represented in the new networks, which are mostly web-based.
- P&G's C+D concept has reapplication potential for industries that want to tap into a worldwide knowledge pool.