The Idea Network – Fostering Innovation
How Frito Lay Led the Way:
A Ground Breaking Employee-based Online Innovation Community

Pat Masker, Sensory Insights, Sr. Group Manager, Frito Lay Inc.
Deb McDonald, McDonald Consulting, Moderator, Frito Lay Idea Network
Jeff Tidwell, Online Community Consultant, Lead Designer, Frito Lay Idea Network
Carole Newton McManus, Product Manager, Frito Lay Idea Network

This is a true story about innovation and online communities.

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It is based on an online community of Frito Lay employees.

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The moral of the story is that online communities, whether comprised of employees or consumers can generate innovative ideas.

Background

In early 2007 Frito Lay sponsored an Innovation Summit in Dallas to spur "outside the box" thinking across the company. The keynote speaker was James Surowiecki, author of the bestselling book "The Wisdom of Crowds." The executive team at Frito Lay was sincerely committed to tapping the creativity from within the company's reservoir of 48,000 employees.

There was a great deal of energy and excitement surrounding Surowiecki's keynote speech. This 'wisdom of crowds' idea mirrored an emerging recognition in the business community—namely that diverse crowds are very good at collectively solving problems and generating ideas.

Frito Lay partnered with MarketTools, a San Francisco based technology company, to help build an online community comprised of its employees. The goal was to harness the wisdom of its workforce and to foster innovation in Frito Lay's corporate culture.

It was into this welcome moment that the Idea Network was launched in 2007. It would be several months before the Idea Network moved from concept to live launch, and many important lessons were learned along the way.

The 2007 Frito Lay Innovation Summit in Dallas also premiered an extensive portfolio of new product ideas in prototype. Platforms had been developed around target consumers and there was a tremendous amount of momentum for growing these ideas and platforms to maturity.

Background Cont'd.

In our early meetings in the spring of 2007 we mapped out a strategy. We conceived of the Idea Network as a place where the community would accomplish three key goals:

- ✓ Members would identify which of the prototyped Summit ideas were the best ones—the 'cream' would naturally rise to the top.
- ✓ Community members would take the 'best of class' seedling concepts and build them into more fully defined product ideas ready for testing among consumers.
- ✓ The community was envisioned as a pipeline through which the most popular ideas would progress.

Using best practice discipline, we brought our beta site to the employees at Frito Lay Headquarters in Plano for user testing in April, 2007. We set up in the cafeteria and offered employees free lunch vouchers to go through the site and give us feedback.

We quickly learned we had got it all backwards.

The volunteer site testers kept asking us where could they submit *their* ideas? They saw that there were lots of ideas already there for them to evaluate and comment on—but their concept of an "Idea Network" was a place where they could submit ideas of their own. It was a revelation to us that we had underestimated members. We had assumed only employees from places like R&D and Marketing would be the ones creating ideas and everyone else would simply evaluate and refine those ideas. So, back to the drawing board we went.

Top Down vs. Open Gate

That first round of user tests conducted at Frito Lay headquarters in Plano was a crucial turning point in the iterative design process. We had listened and learned that employees from finance, procurement, sales and human resources were just as eager to submit and champion their new product ideas as employees on brand teams, in marketing positions, and working in R&D.

We learned that pre-loading new product ideas made them feel like they were being asked to do something *extra* for the company, but that being asked if *they* had a good idea made them feel more *valued* by the company.

In design terms, it was the difference between a top down approach and an "open gate" approach. Our original design pushed ideas down from the top—we were seeking input on ideas that had already been developed. The ideas we had seeded into the original site design were impressive. They had clever names, graphic renderings and had product descriptions obviously written by a copywriter.

The lesson learned from that first round of user testing showed us that we needed an open gate approach. Where the original home page presented a wall of content, the re-design aimed for something closer to Google—with the central focal point being a simple "Got a new idea for Frito-Lay?" box inviting members to jump in and get involved.

Original vs. Redesign


Original Top Down Design

Open Gate Redesign

Our beta test phase was pivotal in teaching us an important lesson regarding our assumptions about the type and level of involvement that Frito Lay employees expected and wanted from an "Idea Network." We typically think usability testing will teach us about navigational issues, but in this case it shifted our conceptual framework for tapping the wisdom of the Frito Lay crowd.

Growth of the Community

The *Idea Network* launched in a series of waves beginning in July of 2007. The first 2,000 employee invitations resulted in 250 registered members in the first two weeks. By April, 2008 12,000 Frito Lay employees had been invited to join and membership quickly grew to nearly 1,800 members.

Idea Network Growth First Year
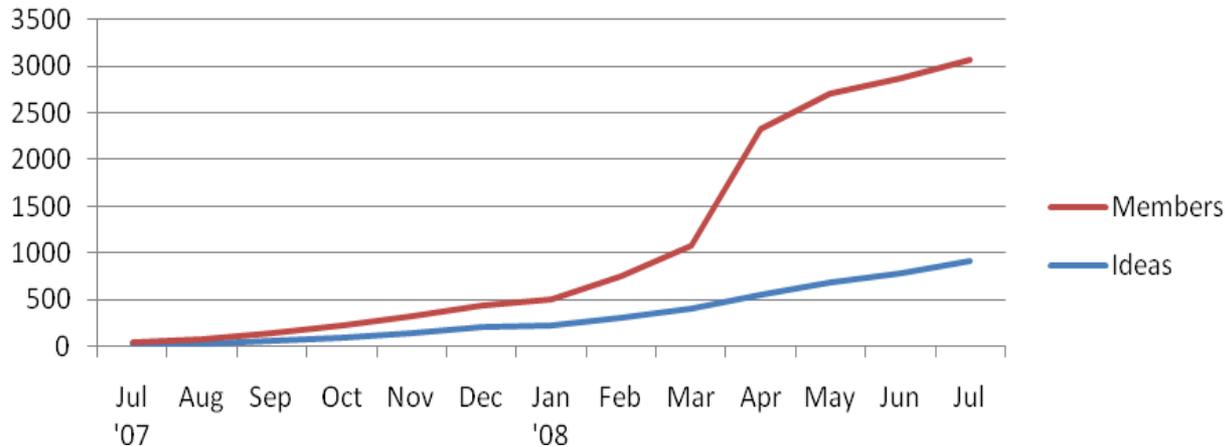
Member Activity

Member activity fluctuated seasonally, i.e., during summer vacation months activity trended lower and during Super Bowl season, an important business cycle for Frito Lay, member activity peaked. Over the history of the *Idea Network* over 6,000 employees visited the site with a core group of more active members ranging from 150 to 400 visiting the site each week. Over 1,900 ideas were submitted by Frito Lay employees between July of 2007 and July of 2009.

As community membership and activity grew, key stakeholders at Frito Lay began to take a more active role in harvesting ideas and insights from the *Idea Network*. Special projects involving key stakeholders across a variety of divisions began to gather momentum and the *Idea Network* began to function as an easily accessible source for quick, reliable feedback from the Frito Lay online community.

Taxonomy of Ideas

As the volume of ideas submitted by members began growing, our next design challenge became apparent. The original system for classifying ideas was too rudimentary for the expanding breadth of idea types. We needed a more sophisticated taxonomy for ideas that would accomplish three goals:

- ✓ The classification system needed to be <u>intuitive</u> to all members

- ✓ The categories needed to have <u>utility for key stakeholders</u>. For example brand managers needed the ability to sort ideas by brand, R&D staff needed to be able to sort by key ingredients and merchandising needed to listen for any good in-store display ideas.

- ✓ The taxonomy needed to be <u>detailed</u> enough to capture the full range of idea types

Category Overlap

As we worked through this classification challenge we realized quickly that there would inherently be overlap between categories of ideas—the categories could not be mutually exclusive if they were to be relevant and intuitive for members. While having mutually exclusive categories may have provided a cleaner sort functionality, the trade-off in decreased usability from the user's perspective was not worth it.

In March of 2008 we returned to our 'cafeteria usability lab' at headquarters in Plano to gather feedback on the redesigned idea index. The outcome of this round of usability tests were much more positive than those conducted in 2007. The expanded taxonomy of ideas was intuitive to members, useful for stakeholders and detailed enough to provide robust sort functionality.

One missing category that users told us they wanted was an archive. The volume of ideas on the site was well over 500 at that point and members complained that having all ideas in one place was overwhelming. In response to this feedback we created three new "idea status" categories including:

- ✓ Archived ideas—older ideas with low activity
- ✓ Contestant ideas—currently in a contest
- ✓ Winning ideas—called "Winner's Circle"

Winner's Circle

We received positive feedback from members after rolling out these design upgrades, especially with respect to the Winner's Circle. This area of the site showcased members' pride of ownership in the community.

Prior to this design upgrade ideas were placed in contests regularly where winners would be announced, but the addition of the Winner's Circle gave winning ideas a permanent spotlight.

Idea Quality and ROI

Given our mistaken assumptions at the outset that rank and file employees at Frito Lay would rather react to already developed new product ideas than brainstorm their own, there was keen interest to evaluate the quality of new product ideas generated by the community. Most new product ideas were co-created by "the community" in the sense that multiple members collaborated. Typically one member would submit the idea, and then the dialog between the members would shape and refine the idea. This collective process improved the ideas.

Soon after momentum started to build in the spring of 2008, Frito Lay stakeholders from the Innovation Team harvested a few popular product ideas generated by *Idea Network* community and tested them among consumers. These ideas where evaluated alongside ideas developed by outside innovation agencies. In the survey, 4 out of 7 concepts tested came out of the *Idea Network*. **The product concepts generated by the *Idea Network* performed as well as agency-generated ideas.** This outcome by itself validated the *Idea Network's* ROI, but there was more.

Bankable Outputs

New product concepts that exceeded consumer testing thresholds were only one of the bankable outputs generated by the *Idea Network*. The community also generated numerous ideas to help Frito Lay achieve:

- ✓ Improved productivity
- ✓ Green practices
- ✓ Better workplace safety

COST SAVINGS LADDER PURCHASE:

**$10 PER LADDER *10,000 RSR'S
= $100,000**

CART/LADDER COMBINED
Allows RSR's servicing large format stores to stock top of six shelf sets.

Bankable Outputs Cont'd.

MAGNET EXAMPLE:

Cost of new wheel $40
*42 Plants *6/year
=$9,600

MAGNET ON FLOOR SWEEPER/CART

Result: *"Haven't replaced a wheel in two years vs. replacing them monthly before this solution."*

STALES CASE LABEL:

Time savings 10 min/week
*8,000 RSRs
= $480,000

STALES CASE LABEL

Put the actual stale date on the case label when it is produced at the plant. This simple task could save millions of dollars per year in VROT in bin locations across the country. It would help reduce rotation errors within warehouses and DCs.

Over $500K in Cost Savings

These three examples of cost cutting ideas harvested from the *Idea Network* add up to over $500K. There are hundreds of other examples that also represent a gold mine of opportunity for Frito Lay including:

- ✓ In-store ideas → over 88 ideas submitted
- ✓ Manufacturing → over 141 ideas submitted
- ✓ Operations → over 55 ideas submitted
- ✓ Green practices → dozens of ideas submitted

Additionally, a variety of stakeholder-driven projects helped the company generate solutions such as:

- ✓ Diagnosing a distribution problem following launch of a new product
- ✓ Facilitating a fundraising effort in collaboration with the North Texas Food Bank
- ✓ Scouting retail stores across the country for specific new product visibility
- ✓ Scouting retail stores for innovative in-store display ideas

A Talented Workforce

The *Idea Network* generated ideas as good as those of its innovation agency, came forward with over $500K in cost saving ideas and provided actionable solutions across numerous divisions. But the *Idea Network* came to represent another essential asset for the company: it supported and fostered Frito Lay's mission to inspire well-being by sustaining its talented workforce.

When we surveyed the community, we received overwhelmingly positive responses. Over 80% of members felt that the *Idea Network* made Frito Lay a better place to work.

"I'm excited to be a part of it. Many great ideas come from the field team. Great idea to make use of this great resource."

"I think this is a great way for employees to give some insight on ideas that may keep Frito Lay at the forefront of product innovation."

If I can help grow the company with an idea of mine, the reward most likely will be a job that I can retire from! Keep the good ideas coming!"

In addition to the positive feedback reflected in community surveys, members regularly posted positive comments on the site. The notion of expanding the *Idea Network* beyond Frito Lay came up numerous times in member's posts.

Members Push for Expansion

"I really liked your idea using SunChips in a granola mix! I'm new to the Idea Network and think it is a great forum for creating new and exciting ideas for Frito Lay and our sister companies.

I submitted one idea and watched it take off. It was great. Then other people voted and it slumped a bit. I think the whole idea is to get a real feel for what the consumer would like and dislike. A good idea is a good idea! Whether or not it takes off is not the point, feedback is the point to me."

"Has there been any consideration for creating an addition to the Idea Network for Field Operations Purposes. With so many people viewing and joining in topics, this seems like a fantastic avenue, for troubleshooting some of the Operations Challenges that face our Company.

The odds are in our favor that someone reading on this site will have had some experience with the issue at their location."

"The ideas for new snacks are great, I am simply curious if we should expand the Idea Network to also leverage the expertise of our people to fix issues in other areas, such as Inventory Management, Packaging, Shipping & Distribution, Processing, Traffic ETC...

Instead of Reinventing the wheel individually over and over, perhaps the issue, has already been indentified, and fixed at another location.

A real time updated platform, for those types of situations would be a real asset to our Business and its efficiency."

Expansion Cont'd.

"We should expand this Idea Network portal to other areas of the company. This could be expanded and used in so many different ways other than product related ideas - very cool!

We should make this available via kiosks at the plants, warehouses, traffic centers and DCs for all employees who don't normally require computer access for their job/role."

"Also publish site links onto a post-card mailer and send to every PepsiCo employee's home address in case some idea hits them" while not at work. "

How do we get more people involved? This is a great venue for brainstorming. But how do we get more brains to storm?"

From Frito Lay to Pepsico

The Frito Lay *Idea Network* caught the attention of PepsiCo's CEO, Indra Nooyi and in July, 2009 PepsiCo embarked on a redesign, and expanded the community to include the entire PepsiCo workforce. In November, 2009 PepsiCo launched its redesigned *Idea Network* for employees, and followed in February, 2010 with its launch of the Pepsi Refresh Project, a public facing idea gathering site.

From the Innovation Summit in 2007 to the launch of Pepsico's Idea Network in 2009 and the Pepsi Refresh Project in 2010, Frito Lay led the way in forging a path toward a culture of innovation. The Idea Network positively impacted the company's bottom line, supported Frito Lay's business objectives and delivered on Indra Nooyi's call to action.