

Frucor MD, Mark Cowsill

The 'V' Word

One-time apple juicing company Frucor has juiced up its business beyond Just Juice with the aid of 'V', MiZone and other innovative products – along with some custom-built technology, and grown to ten times its original size. It is now poised to go global with new Japanese owner Suntory.

By Johanna Bennett

It's all about 'V'. Frucor's bright green energy drink has captured consumer interest big-time. So much so that it now accounts for 50 percent of the Australian energy drink market, despite being only 10 years old.

Part of its secret is guarana, the stimulant extracted from the Brazilian plant. This is then combined with caffeine to create the popular new drink that is giving consumers the buzz they want when they fancy a change from hot coffee.

Frucor's long-time managing director, Mark Cowsill, helped come up with the innovative 4pm energy-booster coffee alternative and says the drink is typical of the company's overall approach to business. Innovation is the name of the game.

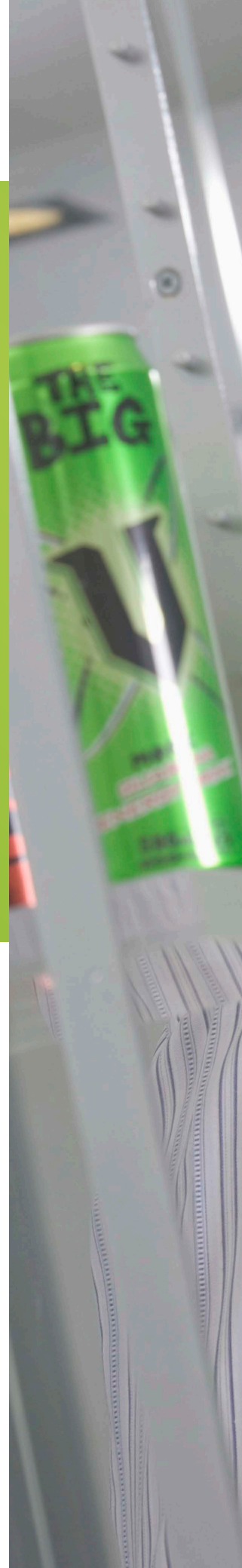
A lot of companies talk about innovating, but not many of them do it with quite the same vigour as Frucor. It's apparent in its approach to technology too, which helps it deliver those hot new products. For example, the company

custom-built its own PDA-based sales system way back in 1994 when it couldn't find what it wanted on the market. This was when serious PDAs were still quite rare beasts.

Perhaps it's got something to do with 'V' and all the other energy and new-age drinks the one-time fruit juice company now sells. Then again, it's probably got more to do with a free-thinking company culture. Managing director Mark Cowsill says, "No-one here has ever been tried for trying something and it not working."

A good example of this is the 'Wobbly'. Cowsill explains that some time back the company came up with this jelly fruit-juice kids' drink as another way of expanding out of fruit juice and getting into kids lunch boxes. Unfortunately, "consumers walked away from it in their thousands."

However, this example seems to be a rare case of the very successful company getting it wrong, but it does serve to illustrate its fostering of a consciously innovative company culture – which (after the fruit is juiced and >







bottled) has technology at its heart. And central to this is Cowsill himself, who has been managing director for his whole 16-year tenure at the South Auckland-based company. “I arrived as the boss and I’m still the boss,” he says with a grin.

During this time, Frucor has evolved from being a \$50 million fruit juice company to become a \$450 million beverages company that now exports nearly half its product, mainly to Australia but also to the UK. It has seen five owners in 12 years, with the 110-year old Japanese beverage company Suntory recently acquiring Frucor from European multinational Danone, for \$1.4 billion.

But back to those drinks. The fruit juice market has become rather static, although grocery staples like juice are holding up well in this tough recession we are undergoing. Back in 1996, the company was seeking to develop new products, and consumer surveys revealed people were looking for drinks that provided an energy boost, for the late afternoon in particular, says Cowsill.

“People were working long hours and saying, ‘I really feel the need of something to get me through the day.’”

They’ve had enough coffee by 4pm, some of them are on the move and, if it’s hot, they want a cold drink too, he adds. Enter ‘V’, its guarana

energy drink; the Mizone sports drink and now the new vitamin supplemented waters. This is leading edge stuff, says Cowsill. Frucor was the first to introduce such drinks into Australasia. And now it has moved into coffee-on-the-go, striking a deal with Moccona to produce a range of chilled bottled coffee drinks.

“We did efficacy trials, in 1996-97, to ensure ‘V’ wasn’t all about a placebo effect,” says Cowsill. It wasn’t. He has personal evidence of this too, he says.

“My brother-in-law is a pharmacist and he thought it was all a lot of bull. He tried it [a drink] one night and couldn’t get to sleep until 4.30 am. That’ll teach him not to believe me,” he grins.

Cowsill thinks such product innovation encourages innovation in other areas, including IT. And this is also pretty important in big picture terms. “It’s our major competitive advantage against the big multinationals,” he says. “We can do things they can’t; and we can do it quicker.”

This, in turn, derives from living at the far end of the world. “In small countries, people have to be much more resourceful. You don’t have the economies of scale, so you create new ways to do things that other people haven’t thought about.”

Cowsill describes a number of new technologies the company is using



INNOVATION NATION

"One of Danone's theories was that the further away from Paris you were the more innovative you were," says Cowsill, for whom innovation is a very big company deal.

While Cowsill isn't sure about the Paris influence, he does think that if you are allowed to give things a try you're going to find some things that work.

The impetus for much of Frucor's innovation seems to come from Cowsill himself. The Auckland-born-and-bred finance man turned himself into an operational then general manager early on in his career.

He says, "My real passion is trying to make things different, and a passion for innovation... call it good ideas – for products, processes and systems. I love it when I go and see one of our guys with one of those handhelds and can see where he's running with it."

"Good, creative ideas being applied – I really get a buzz out of that."

And to prove it there are two Danone innovation award trophies adorning Cowsill's rather modest office at the old Ford factory building in Manukau in South Auckland.

The company won two of them during the six years it was owned by Danone – and they're only awarded every second year. The winner is decided on the basis of a managers' survey of Danone's 85 business units around the world. Managers are asked questions that reveal the drivers of innovative company culture. Frucor obviously has the right stuff – in spades.



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to drive its business and make it more efficient, in addition to the aforementioned custom PDA-based sales system.

Computer Tells You Where To Go

Literally, in this case... Six months ago, Frucor installed a new Vocollect "voice-picking" warehouse technology. It's basically a talking computer which tells warehouse staff where to go, via a wireless head-phone set, says Cowsill. It will say, go and pick up seven cartons from bay 47, the warehouse man will then confirm he's done this verbally and the computer will immediately update this, or, if he picks up five cartons, the computer will update that change too.

The result has been much better order-picking accuracy and fewer customer complaints, which was the reason for installing it in the first place. Frucor has had a smooth run with the technology too. Basically, it's an interface that sits on top of the company's SAP warehouse management system and works without keyboards, and is paperless too, so has great green credentials.

The new system replaced a previous manual printed-list system. The head-phone set is actually a Windows mobile client equipped with a microphone. Instructions from the computer system are converted into voice

and then, in turn, the warehouse staff's instructions are converted back. Frucor says the error rate is low because the voice recognition software learns to recognise individual accents.

First deployed in Australia, the US Vocollect technology was implemented by Damatic, one of SAP's partners.

PDA Equals Sales-To-Go

This close tailoring of technology to business needs that Frucor's use of "voice-picking" technology illustrates is a driving force behind innovation in the IT area. It started when Cowsill took over and inherited the old NZ Apple & Pear Board's systems, which he describes as "old, patched – 150 software patches, in fact – and slow. It took 28 hours to process invoices. We needed weekends to catch up," he exclaims.

TIMs software was quickly installed and then it was on to developing the custom sales system, which Cowsill calls "a rep pre-selling system".

Because Frucor has a significant number of small accounts and customers change a lot too, it decided its reps needed to take a mini-computer on the road with them. Actually handhelds, they come loaded with all the necessary customer details and history, product range, pricing, order history and the rep's current KPIs, i.e., their sales targets and,

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say, cycle KPIs.

“The rep can actually monitor how he’s going through the day,” says Cowsill. “I was out with a rep in Sydney recently and he could tell me how he was going with his budget, and how much he still had to sell each day for the remaining three to four days to make his budget, which he said was ‘a piece of cake.’

“They can self-manage, instead of relying on someone upstairs looking down. And they are incentivised; they can see how they are tracking.”

The company developed the first version of the software back in 1994 when it couldn’t find anything on the market. “We had a capable young team who put a basic version together – we’re now on version 5 – and from this baby was born a system that we now use right throughout the business,” says Cowsill.

The first handhelds were tough, grey steel bricks with a big aerial sticking out of the top. The latest version is still rugged, but it now comes with GPS capability – to help devise the best routes for reps on the road – and has a longer battery life, and a good-sized screen. The company now uses ‘Ikons’, the latest iteration of Psion Teklogix’s product that Frucor brings in from Canada. It finds them better than using laptops or tablet computers as they are less of a barrier when a rep is face-to-face with a

customer, and there is also no after-sales information to update in the car, which saves on time.

Tracking Profits With BI

“To me, this [the custom PDA system] is one of our core IT competencies. A guy can self-manage. It’s very user-friendly and at day-end they just download all the information to our SAP system, and that then starts the whole logistics operation, building up orders and pick lists etc,” says Cowsill.

This is just the beginning of Frucor’s information manipulation, however. The company relies heavily on its BusinessObjects business intelligence system to track what is happening with the business.

It provides the team with good information in the formats and with the frequency they need to make good decisions, says Cowsill, of the company’s business intelligence system.

“It gives us good reporting on our brands, products, channels and customers from a sales and profitability point of view. If we have queries, we can drill down and ask, ‘Why is this offline?’ and get a quick answer. For example, a margin on a product might be lower than expected; we can drill down and find, yes, we had to write off some product because of an issue.

CEO GADGET WATCH: Lite-thinking with Lenovo

We've tested people here on their work preferences, says Cowsill. "I am probably not a widget man; my preferences are around creativity, people and analysis."

However, despite these protestations – "It would be untrue to say I'm a guru or a high user of gadgetry," says Cowsill – our man does have some gadget preferences. They include his Palm Treo. "I'm a bit old-fashioned," he says, explaining why he is not excited by the iPhone.

"I selectively use gadgets when they make sense for me. I can sit in a taxi and get rid of some e-mail garbage or do some query responses." This is what he uses his Palm Treo for. But Cowsill also has a beautiful lightweight laptop adorning his desk, which his staff think is just the coolest laptop – no doubt hoping they'll get one later.

"I have the lightest laptop in the company, so everyone is very jealous of me," says Cowsill, sounding quietly pleased.

It's so slim it slips into a briefcase, so doesn't require a computer bag – which is another bonus in Cowsill's book. It's just nine months old; it's an ultra lightweight Lenovo x300 and it comes equipped with a solid state hard drive, which means that, as it doesn't have a traditional hard drive, it's much lighter than the average laptop.

"And it's wireless as well, so I can sit and watch the rugby as well as catching up on my emails," laughs Cowsill.

"It's good. Everyone would see it as a bit of an oxymoron that IT is using me to trial new technology," he smiles.

Other than that, it's just the iPod for the beach, with a bit of help from the kids.

"The system can also provide 'exception reports or ranking'. You can say, 'Don't give me the whole 300, just give me those [items] that are under this or over that, so you get a three-line print out rather than a 250-line one.'"

With SAP's recent take over of BusinessObjects, changes have been implemented that now make it easier to extract data from the SAP system. This means Frucor no longer has to work out all the traditional complex joins that are such a feature of SAP, according to its group IS manager Paul Miller.

But the technology-drives-productivity theme doesn't end with data entry and reporting. Frucor has a huge sales territory to cover as it includes both New Zealand and Australia. The latter has become an integral part of the company's operation as it now exports nearly half its product across the Big Ditch.

Frucor has recently upgraded its route planning system to help those who have to traverse what Danone said was the biggest business unit in the world. The company distributes its drinks as far afield as Perth in West Australia, Gisborne on New Zealand's East Cape, Cairns in Northern Queensland, and Invercargill in New Zealand's Deep South. It takes seven hours to fly from the east to the west of the company's sprawling sales territory.

To help it manage the logistics of this massive distribution effort, Frucor has recently adopted a new software package from, unusually, UPS, the big US delivery company, which has a software subsidiary.

"We used to use Caci, but we needed a more dynamic tool and UPS has turned out to be an easy tool to use," says Cowsill. Frucor finds it particularly useful because it allows for different call frequencies when planning the best routes for sales reps. The software optimises the route a rep should take, breaking it down by weekly, fortnightly and monthly calls, and sequences this.

"A significant part of a rep's day is spent travelling, so taking time out of travelling means the rep can spend more time with the customer and that drives the business."

Love Sport

Cowsill is obviously very committed to his work, but he's a regular sport-mad Kiwi bloke too. Asked what he does for fun, he says he "loves sport – playing and watching it". He's played rugby, cricket and tennis, and touch rugby – up until five years ago – and golf too.

He's also used his love of flying balls to connect with his kids. "When the kids were growing up, Saturdays were taking them to sports – three kids playing different sports all over Auckland. One day I was in Pukekohe and my wife was in Huapai because the boys were both playing soccer... what is it, about 100 kms apart?

"[It's good when] life is dedicated to kids' sports, particularly when you're busy and you're not home early every night, one thing you can do is give them time during the weekend."

The boy's sport theme continues, with Cowsill now watching his grown-up sons play ice hockey and rugby, respectively. He agrees the

Canadian national sport is tough but, he says, "there's plenty of padding. They're Michelin men".

Other than that, there are barbecues at the beach house up north, more tennis, walks, and getting the kids to load up stuff on his iPod for the beach "because they can do it about a thousand times faster than me".

Recessionary Tactics

Last but not least, Frucor may be a big company, but recessions are no respecters of size, so how is it coping?

Cowsill says markets have definitely slowed in both Australia and New Zealand, and the company is seeing this in people's discretionary spending. The basic grocery items are holding up well, but the impulse buy of a nice, single-serve drink from the petrol station, for example, is not.

"This is a big channel for us; when petrol prices went to over \$2.20 that had a bearing on sales."

But, ever chipper, he adds, "In this environment, things like innovation, a strong company culture, and strong brands are the best assets to ensure you come out the other end in good shape."

And, in the meantime, there's that grocery staple – the three litre bottle of orange juice – to help keep sales up. Frucor still has it pretty sweet. 