



LEKUE

Spain, www.lekue.com

A Spanish SME adopted a revolutionary new material for its cookware products, collaborated with a group of talented designers and industrial partners and engaged extensively with users to develop new product ranges

Executive Summary

In 2005 Lekue was a company on the brink of disaster. After becoming a well-established provider of white label bathroom, kitchen and general cleaning goods for other international companies, e.g. IKEA, Lekue began working with silicone and developed ranges of kitchenware, becoming the first company in the world to manufacture silicone moulds for cookware. However, their white label business model and cheaper competition led to falling sales until the company was bought out in 2005 by a venture capital company and Xavier Costa was brought in as CEO to breathe new life into the business. Open innovation was used to steer Lekue back into positive figures. Gradually, by working with an industrial designer and others on the conceptual development and product design of an extensive and successful range of products, made of silicone rubber, for cooking, conserving, decorating and transporting food, Lekue managed to revolutionize the cookware sector under its own brand.

CASE N° : SE11

SECTOR: RUBBER KITCHENWARE

TECH INTENSITY: LOW-MEDIUM TECH

LIFE CYCLE STAGE: RENEWAL

INNOVATION VECTORS: PRODUCT, ORGANISATIONAL, DISTRIBUTION CHANNELS

01 PARTNERS: OTHER SME, INDIVIDUAL EXPERTS, LEAD USERS & CUSTOMERS, PRIVATE RESEARCH FOUNDATION WITH SOCIAL ENGAGEMENT

KEYWORDS: Design-thinking, silicone, cookware, lifestyle change

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The logo for Lékué, featuring the brand name in a bold, black, sans-serif font with a stylized accent on the 'é'.

BACKGROUND

In 2005 Lekue was a company on the brink of disaster. It was founded in the late 1970s by Josep M. Lorente and was dedicated to the production and marketing of rubber-based products such as shower caps, sink plugs and moulds for ice-cubes. It slowly became a well-established provider of white label bathroom, kitchen and general cleaning goods for other international companies – including large companies such as IKEA. In early 2000, the company began working with silicone and developed ranges of kitchenware, becoming the first company in the world to manufacture silicone moulds for cookware. However once again, as products from other brands and from cheaper overseas competition finally caught up with them, their retailers fell away.

In 2005, Lekue was bought out by venture capital (72%), and Xavier Costa (4%) was brought in as CEO to breathe new life into the company. From then on open innovation was used to steer Lekue back into positive figures.

INNOVATION CHALLENGE & MARKET OPPORTUNITIES

The strategic triggers of innovation as experienced by Lekue were certainly due to:

- The failure of white-label products sold through hard-discount stores and catalogues as cheaper copies became available and challenged their existence.
- A need to create the Lekue brand and put an emphasis on quality and constant innovation.
- Consumer studies – using end-users in ideation and user-testing phases of development.
- Changes in the market – notably consumer trends altering retail and sales points from physical (specialized shops) to digital (online sales), meaning a need to change OI strategy at marketing and sales level.

The market opportunity for Lekue can be resumed as follows:

- To produce consumer-centred products which are both innovative as well as highly practical and easy to use.
- To establish the Lekue brand as a leader on

- quality and innovation.
- To innovate by creating a "lifestyle" experience.

OPEN INNOVATION TRAJECTORY

Concept development

When the new CEO Xavier Costa joined Lekue in 2005, the company urgently had to shift focus. Costa insisted that there should be a Lekue brand. At the start they continued to manufacture products for other brands and retailers in the cookware sector, while the other part of the business (bathroom and cleaning products) was gradually phased out or sold off. All resources went into innovating the Lekue own brand.

Costa also changed the sales points – from the catalogues and hard discount retailers to specialized shops that would value the products and have the knowledge to advise and sell the products well. This required a change in the way the sales representatives worked. They had to re-establish their sales and marketing networks and form new alliances across several different countries (Spain, Germany, Switzerland, Netherlands, Japan...). Lekue therefore underwent a complete business model change: where they sold, what they sold, with whom (clients) and the way of selling.

The concept involved developing a range of innovative products made of silicone for cooking, conserving, decorating and transporting food, using design-thinking methodologies, consumer/user input and observations, as well as OI collaborations with the creative teams and haute-cuisine chefs at el Bulli.

The development process, IPR and competition strategy

During the development phase, Lekue put much effort into the design of its products as well as packaging and advertising. They used design-thinking at every level – from the products themselves to the strategy of the company, involving teams from management, sales and administration.

They worked closely with Luki Huber, an industrial designer and innovator, to develop and apply many techniques of design-thinking. Through cookery classes they observed how people cooked; not just the act of cooking, but also the preparation and consumption of food in order to understand the

whole journey. Then they set up workshops based on design-thinking methodologies, involving many different kinds of people from different backgrounds: cooks and chefs, nutritionists, consumers. They always worked with different teams in order to refresh constantly the creative part of product development.

This was done over several years, as in order to continue having a turnover the company had to maintain part of its original business. The change was therefore progressive, as was the process of becoming established in different countries. At the start just 10% of Lekue's turnover was derived from its own brand while 90% came from working for other brands.

Lekue hold patents on many of their different products, but the critical patent was one governing the use of silicone for manufacturing confectionery moulds and baking forms in general, which was filed in 1999.

The company's competition strategy focused on quality and the prestige of its own brand over cheaper white-label products. It also centred on establishing a strategic customer base through valued specialized shops and sales points.

Commercialization and follow-up

In just a few years, Lekue launched more than 150 new products. These were developed using open Innovation collaborations with users and experts in the field of cooking and nutrition. Following the initial successful OI experience with Luki Huber and el Bulli, Xavier Costa established collaboration with the Fundaci6 Alicia, a centre with a social vocation, devoted to technological innovation in cuisine, the improvement of eating habits and the evaluation of food heritage. Lekue and Fundaci6 Alicia have an ongoing project to collaborate and innovate for each other's mutual benefit, i.e. to help educate and improve people's eating habits.

The OI collaboration provided Lekue with help on food research - Fundaci6 Alicia provided scientific input, knowledge on gastronomy, cultural trends, as well as the part on nutrition. Lekue was able to bring their knowledge and expertise to the table to find innovative solutions for the problems or lifestyle challenges that Fundaci6 Alicia were trying to combat. Apart from the new products produced by Lekue, the two institutions co-produced a series of books on how to produce healthy, tasty and simple meals in 10 minutes. The books feature Lekue products specifically designed for the task and the recipes are developed with Fundaci6 Alicia's nutritionists and cooking school. This provides new revenue streams, marketing and

reputational benefits for Lekue, and helps strengthen the company's niche repositioning strategy.

The IPR on products is maintained by Lekue, while they own copyright to the cookery books.

A number of organizational changes were implemented to accompany the new strategy:

- A new sales team and a network of distributors were recruited so that the company became familiar with the reality in each country and were able to establish relations which worked for them.
- Marketing expertise was initially external and was later brought in-house as the business scaled up progressively.
- Factories were set up in China.
- They implemented a change to drop-shipping for digital-based clients. (This is a supply chain management method in which the retailer does not keep goods in stock but instead transfers customer orders and shipment details to the manufacturer who then ships the goods directly to the customer.)

Costa's aim was to be the most expensive product on the market - products based on quality. He made sure that they complied with all the different EU country regulations for safety and did not cut any corners. They substituted all the distributors that were not working with the Lekue brand and established the brand in France, the Netherlands, Switzerland, Scandinavia, Germany, Eastern Europe and the USA. In several instances this was done by creating subsidiaries with other companies in the same sector, but not in direct competition with Lekue products. For example in the USA they cooperate with the French firms Emile Henri that produces ceramic ware, Mauviel that produces casseroles, Durelux that produces glassware, and Rosie from Germany that produces steel cookware.

By forming these alliances, the different SMEs could reach and establish themselves in foreign markets whereas "going it alone" would not have been a viable business option. Lekue's choice of alliances was based on shared values and ideals that the companies should be of a similar size. The joint subsidiaries proved to be very useful for collaborating, for sharing ideas and experience and know-how about the markets. The companies do not always do the same thing, because they do not have the same products, but Costa recognizes the benefit of being able to listen to other people and getting to understand the good things about the other company, how they have overcome problems and generally learning from each other.

In Japan, they found that some of the products really took off and therefore developed a specific marketing plan around that, which led to a huge boom. In 2010, Japan became the top country for sales of Lekue products. They targeted each country differently. At the beginning it was done more or less on intuition, based on a lot of information and know-how from working the terrain and developing very close working relations with the sales distributors. Being very small, the company did not have the money to carry out large market studies and they did not have a big marketing department, obliging them to focus on the most important things and what could provide stimulus for growth.

In 2012–13, Lekue sales peaked out; growth slowed and then sales began to fall in subsequent years. The market for silicone cookware retracted in several countries – Lekue had created a fashion, but this was coming to an end. They had to close one of their factories in China, centring all the production in just one site. Competition from the Far East was a factor, but Xavier Costa is conscious that the company had also become complacent. Lekue had not established good procedures nor documented their creative processes while they were small and agile. The lack of procedures and method, Costa believes, tends to lead to less competitive ways of working.

This complacency and some loss of agility due to rapid growth meant that the company was not as reactive as perhaps it should have been to changes in consumer trends. The market was changing a lot at that point in time, not just in terms of increased competition but also consumer habits; many of the specialized shops have closed down. Today Amazon is Lekue's principle sales point; 3 years ago the company did not sell anything via Amazon and they did not have any notable online business.

BUSINESS IMPACT

One of the major outcomes of the open innovation collaboration has been the production of complementary items to Lekue's main products: for example, they have sold more than 120 000 recipe books. The most common way for visitors to enter the Lekue website is as a result of their looking for recipes. This has led the company to put an emphasis on the website contents and focus on the client/user experience. As part of Lekue's recent new strategic plan, they have recovered the innovative vision of the company that puts the user at the centre, working with consumers and other

key stakeholders to co-create new content, not just products. In this way other new outcomes have been an openness to re-evaluate and reflect where the company should be heading, and a longer-term vision and innovation plan based on collaborations with external experts, not with large consultancies.

The company achieved some really creative outputs and a disruptive level of innovation. Sometimes their innovations were so disruptive that they were difficult to implement and difficult for Lekue's shareholders to understand. Reflecting on the lessons the company learned, Costa highlighted the importance of:

- Knowing your market really well.
- Listening to and engaging with users.
- Having a clear story to support the need for a product (need/problem – resolving – design).
- Filtering ideas – learning to decide which ideas to throw out and being brave about stopping projects that are not advancing or really improving anything.

The company currently has around 200 employees between the main headquarters in Llagosta (Barcelona) and the factory in China. Turnover between 2005 and 2012 went from €8 million to €28 million, but since then has fallen again as the "novelty" factor has waned and competition has become more fierce.

LESSONS LEARNED

The value of this case lies particularly in the strong vision and passion of the CEO, Xavier Costa, who decided to tackle the company's problems by using OI strategies at different stages of the innovation process – both upstream and downstream in the value chain. To begin with, we see Lekue as highly driven by design-thinking and engagement with different stakeholders in problem and design stages. Later, there are strategic alliances with similar SMEs to enter and establish themselves in new markets/new countries.

We can see the need for re-analysis and reinvention over the course of 10 years, and how the company has responded to important changes in its customer base and sales points (from white label products to a prestigious own brand in specialized shops, to online sales and drop-shipping), as well as a strong focus on driving home innovations to customers through complementary services/products – such as recipe books, webpages (lifestyle add-ons).

This seems to be a very strong case of repeated engagement with open innovation practices. Given evolutions in the market sector, the company has been forced on more than one occasion to rethink its strategy and how to manage the innovation process, as they have been pioneers in the sector for many years. From the interview, it was clear that this kind of pressure could only have been dealt with successfully through collaborating with key stakeholders at many levels.

To begin with, they relied heavily on the experience of an expert in design-thinking, Luki Huber, but after several years collaborating with him and establishing key innovative stakeholder interactions, they felt able to go on without Huber. The additional 01 collaborations with Fundaci6n Alicia are significant as they show how the SME has looked for partnerships where there are shared values and beliefs that are extremely important to both organizations.

Main lessons learned:

This case shows how a positive experience with 01 practices in one area can inspire management to try it at other levels of the company. This has definitely been the case with Lekue, where the use of 01 has been systemic. The key management figure has been a critical success factor in pushing this forward, not being afraid to make gradual changes in the operations of the company to bring it into line with his vision and using external collaborations and partnerships in various forms and intensities in order to achieve it.

However, CEO Costa also recognizes that he did not get everything right in this process. Lekue had several projects with big companies from the food sector or domestic appliances' industry; which they approached as an opportunity to innovate and understand their way of working. These projects ended nowhere because the large businesses were extremely slow and not at all agile, and they valued results above anything else. People and contacts changed frequently.

The positive experience with 01 has been with companies similar to themselves: in terms of size and also in terms of shared values, or with external experts in their field (Fundaci6n Alicia, El Bulli, Luki Huber, other foreign companies in the sector). Costa believes that it is more fruitful to work one-to-one and on projects that are real and tangible.

Another learning point has been not to over-rely on ideas coming from collaborative inputs: it is necessary to maintain a professional filter and be brave enough to stop projects that are not advancing or offering improvements.

With changes in technologies and consumer habits, the partnership/ collaborative needs of the SME may change, and may have to change quite quickly. Therefore maintaining an open and flexible vision is an important factor.