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How A Little Agency That Could Brought Us Square Bagels

by Nina M. Lentini, Monday, Sep 10, 2007 5:00 AM ET

WHEN GEORGE WESTON BAKERIES' THOMAS' unit began to think outside the bagel and beyond breakfast, it turned to a nearby company to act as innovation consultants. Two years later, it is enjoying robust sales that are driving the category and the company itself.

Who are those guys?

Bryan Mattimore and Gary Fraser are the co-founding principals of Growth Engine, based in Norwalk, Conn. Today, the company is launching itself as the "first full-service innovation agency" with a \$125 million success story to tell about Thomas'. But, first, Thomas' senior product manager, Chris Steiner, begins.

"I shudder to think where we would be without their expertise and help," he says, explaining how the company's hearty grains line became, in less than four years, an \$85 million business. "We were struggling with the idea of hearty grains," Steiner says. "We were watching the trends toward whole wheat but we didn't have a formal line. We had a multi-grain item. The Growth Engine team helped our team frame the idea around a platform so that it wasn't just a one-off idea but a full, hearty grain message."

Mattimore remembers the struggle as being "like challenging the Pope."

Once Thomas' accepted the hearty grain idea, Steiner says the company launched the product in 90 days, which is unheard of in an industry where line extensions typically take 12 to 18 months to roll out. "Part of it had to do with the fact that we were already experimenting with multi-grain and we had a good R&D team," he says.

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Then there is the square bagel.

Fraser and Mattimore recall being at meetings with Thomas' executives when objections arose to the idea of a square bagel bread. "We were closer to their consumer than they were," says Fraser. "Our job is to provide that voice, to make sure that voice is heard."

Steiner also remembers some resistance. "The bagel business was doing great, and there was some concern that we might cannibalize our own base. [Growth Engine] spent time making sure we were making this item different, giving it incremental use outside of breakfast," he says. Plus, in its work with consumers, the agency had discovered that people didn't like making sandwiches with round bagels because condiments fell through the holes in the middle.

"We positioned square bagel bread as a better way to make your favorite sandwich," says Steiner. Thus did bagel bread evolve.

In one year, he says, A.C. Nielsen reported that two-thirds of the bagel bread sales were incremental to the category: a third came from users brought into the category, and the other third were additional purchases in addition to bread. "So, a third came from existing items, and two-thirds' incrementality was huge," Steiner says.

Another reason Squares Bagelbread boosted Thomas' bottom line by \$125 million is that the company has put almost half its advertising budget behind the product this year--spending \$4.3 million from January to June over just \$1.7 million in all of 2006, according to Nielsen Monitor-Plus.

In fact, of the \$10.7 million Thomas' has spent so far in 2007, \$3.2 million went to Hearty Grains English Muffins, \$1.3 million backed Squares Bagelbread Minis, and \$1.25 million supported 100-Calorie English Muffins. Last year, Thomas' spent \$7 million on advertising.

Part of the reason a company like Thomas' hired consultants was that its ranks were stretched a little thin, Steiner admits. And the Growth Engine partners agree that many organizations have little room for innovative thinking. "The innovation guys get pulled away," says Fraser. "Time gets more fractionalized, and people can't think beyond the next day's meeting or the next quarter's results.

"Many people believe that 'innovation' means magic," he says. "Pixie dust. We tell our clients it's just hard work, a tremendous amount of perseverance and investment in

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