

# To innovate,

By Phil Sutcliffe, TNS UK

**W**hen it comes to innovation, such a vital ingredient of business growth, less really can be more. The typical model for innovation is that a company stacks its innovation pipeline full of ideas, launching lots of new products in the hope that some will be winners. Our experience with clients has shown the key to successful innovation is to identify and develop a much smaller number of ideas that have the potential to make a big impact in the market.

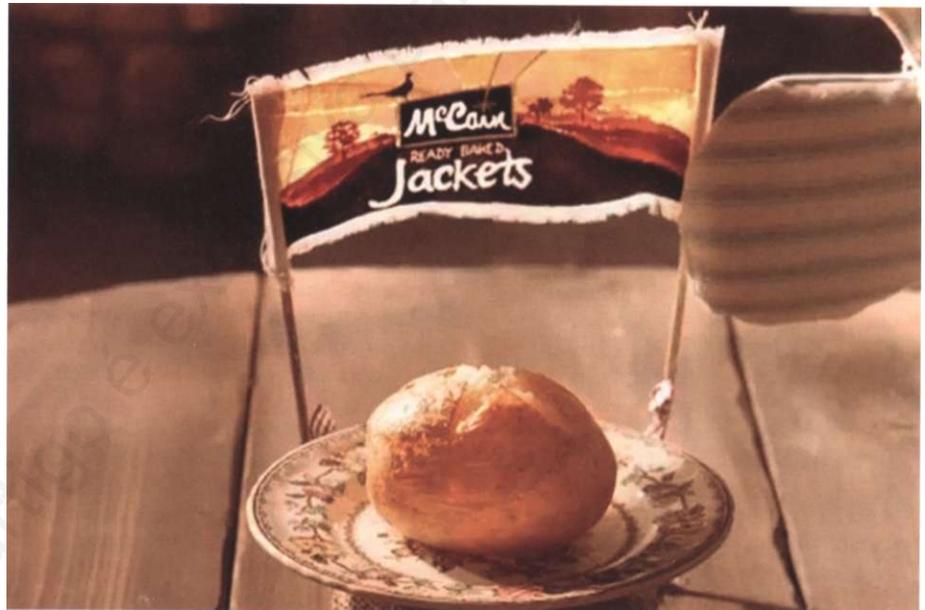
It is often quoted that more than 80% of new product launches eventually fail, but it is not often appreciated just how quickly this happens. Analysis of new launches by our sister company Kantar Worldpanel (Figure 1) found that 67% of all launches were dead or dying within two years of launch and only 25% of launches were thriving in year two.

Clearly a great deal of money, and valuable management time, is spent on developing and launching thousands of products that fail within two years. The importance of addressing this situation was underlined by a McKinsey survey in which 84% of senior executives said innovation is 'very important' to their company's growth strategy.

We found the classic innovation funnel thinking, which seeks to identify many new ideas and bring a constant stream of new products to market, can actually be an inhibitor of true innovation. Instead, finding success with innovation requires a high degree of organisational focus to spot the potentially successful innovations at an early stage and to discard the others.

This focus on identifying a smaller number of ideas isn't all about finding groundbreaking innovation. By definition, these innovations will remain relatively rare. However, we believe companies should strive to move beyond what most 'innovation' is currently - i.e. variants of existing products, such as a new flavour or a new pack size.

Rather than launching a constant stream of new products, companies should focus their NPD on fewer, but better chosen and supported innovations, to meet customer needs and secure revenue growth



The key is to identify and develop products that are at least better than the choices that consumers have already, so can command a price premium. A greater focus on a smaller number of better ideas will also increase your chances of finding that next groundbreaking innovation; the Swiffer or the Innocent smoothie.

Unilever certainly seems to agree. "You want fewer, bigger ideas," Paul Polman, the company's chief executive, told Bloomberg. The company has scaled back the number of projects in its innovation pipeline by more than 80% to prioritise a smaller number of big

new ideas - it looks for ideas that are likely to generate at least €50 million in sales.

Last year, Unilever's research and development activity revolved around approximately 600 projects, of which 90 were launched across its global markets within 12 months. In 2005, it pursued 5,000 proposals and only eight offerings were introduced into more than 10 different countries.

Kantar Worldpanel identified the 10 most successful UK grocery launches of 2012: McCain Ready Baked Jackets, Oykos yoghurts, Jacob's Oddities, Walkers Baked Stars, Magnum Infinity, Whiskas Tasty Textures,

# less is more

Walkers Deep Ridged, Felix Doubly Delicious, Lurpak Spreadable Lightest and Strongbow Pear Cider.

In most cases, these products have brought something more than a new flavour or pack size to the market - for example Lurpak Lightest has 33% less fat than even a light spread, Jacob's Oddities is a lighter and healthier snack and Felix Doubly Delicious provides 100% of a cat's daily needs while providing taste and variety.

McCain Ready Baked Jackets, the most successful launch of 2012, is a great example of an innovation that brings a new benefit to address an unmet or under-met need. Behind most great innovation, there lies a strong insight which has at its heart a consumer truth and need. It will then introduce a friction - which is what makes the insight powerful - which the new product can address through its benefit.

In the case of McCain Ready Baked Jackets, it is easy to see the insight. The consumer truth is 'I like to eat oven-baked jacket potatoes'. The consumer need is 'as the taste is so much better than from the microwave'. The friction being 'but they take so long to cook in the oven'.

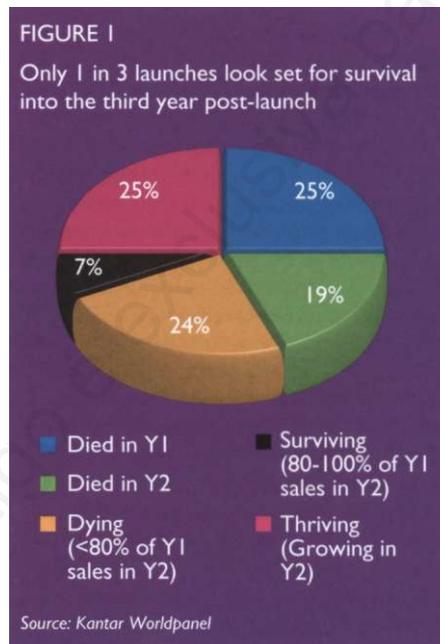
The TV advertising for the product showed the benefit - 'tastes, smells and fluffs like an oven-baked jacket potato' in only five minutes. Although the insight is really strong, the benefit is so clear that the insight is absolutely intuitive and doesn't need to be spelt out to consumers - a clear sign of a great innovation.

In successfully addressing this insight with the product benefit, McCain has launched a product that has been so successful it has struggled to meet the demand.

Several of the most successful products of 2012 such as Magnum Infinity, Walkers Deep Ridged, Walkers Baked Stars and Whiskas Tasty Textures have driven revenue and profitability by being able to charge a premium versus the parent brand in the portfolio. They have done this by bringing an additional benefit such as ultimate indulgence.

extra flavour, 70% less fat or a new eating experience.

So how do you find Ideas such as these in the first place? One of the fundamental weaknesses in the traditional approach to innovation is that it starts at the wrong point: with an ideas workshop, often deliberately separated from the rest of the business, rather than with a proper analysis of business strategy and objectives.



This results in a 'fuzzy front end' for innovation, a slightly mystical process of inspiration and Idea generation that creates a range of potential new concepts for development. The key word here is 'range': we're accustomed to think of innovation as thinking laterally, ranging widely in search of solutions and looking 'outside the box'. In fact, to succeed in competitive and fragmented markets, a business needs a precise idea of where a winning concept is likely to be found. This involves integrating

existing understanding of customer needs and the competitive landscape. In effect, 'thinking inside the box' can produce the brightest ideas.

Finding a consumer need that is unmet or under-met by existing products should be the starting point for insight generation and idea generation (ideation). TNS's Matrix solution, which identifies opportunities based on unmet needs to create an ideation brief, has been shown to lead to greater success in innovation. Matrix searches for unmet needs in four unique ways to discover opportunities other approaches can't find. These include cost of entry, occasion-based, convergence and breakthrough opportunities. Concepts developed as a result of this approach are up to 6.5 times as likely to be prioritised for significant development as the industry standard.

We also need to identify the concepts that are most likely to bring a company incremental growth. My TNS colleague David Souisby, in his January 2013 *Admap* article 'A True Test of Innovation', explained how traditional concept screening favours the products that current buyers of a brand are more likely to buy, rather than identifying the concepts that are less likely to cannibalise the parent brand and bring incremental growth to the company.

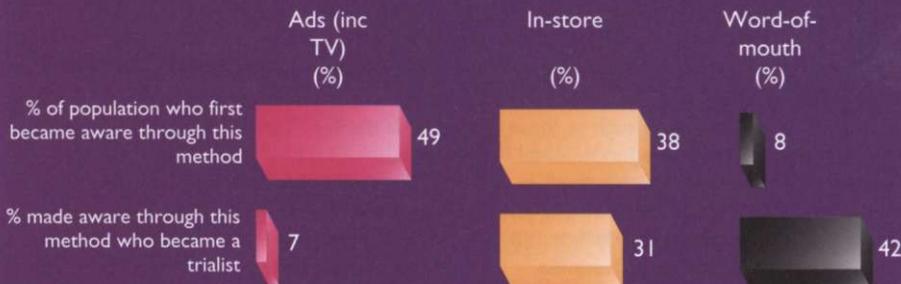
Innovation success is not just about absolute sales. The products that remain on shelf two years after launch are more likely to be those that have delivered incrementally to the company's bottom line.

Looking again at the 10 most successful launches of 2012, it is fair to say that not all of them were successful by clearly offering a benefit that addressed an unmet need better than other products on the market. One or two of the successful launches were variant extensions. This brings us to the other factor in successful innovation - launch big. Innovation must strive to launch better or launch big and, ideally, should aim for both.

Strongbow Pear Cider is an example of launching big. It was supported by a

FIGURE 2: Maintaining Trial Momentum

Biscuits case study: TV proved a much less effective driver of trial than in-store promotion and shelf displays



Source: TNS

£10 million campaign and worked with supermarkets to gain incremental listings in the already growing cider category.

Kantar Worldpanel clearly shows the importance of distribution and promotional support in driving the success of Innovation. Analysis of 7,300 branded grocery launches from 2010-11 with at least one year of sales, illustrates that distribution is king - the chances of £1 million revenue with distribution through one grocery multiple were just 6% and this only increased to 11% with distribution in two or three of the supermarkets. Only with distribution through four multiples did the chances of making £1 million sales increase to 62%. To achieve more than £5 million per annum, an innovation needs to be in every major outlet - it needs to be seen to have any chance of being significant.

In terms of promotional support, the Worldpanel data shows the chances of having a £1 million-plus brand are only 3% with no promotional support and remain low with promotional support below the category average. New brands need to be promoting above the category average to increase chances of success - but only slightly above average, to ensure that the brand looks like a regular brand in the category as soon as possible.

So our recommendation is in line with Paul Polman's thinking at Unilever - launch less but launch big.

But the innovation process should not end

there - another weakness of many innovation processes is that they don't seek consumer feedback after launch.

In many companies' stage gate innovation processes, the last stage gate is launch. At this point, it is not uncommon for the stewardship of a product to be passed from one part of the company to another - from a team that has been closely involved in the product development to one that has not. Even in some of those organisations where there is ongoing monitoring of the product after launch, the focus may just be on sales data, and critical consumer feedback may not be gained.

To maximise the return on launch investment, a business must understand what elements of the launch plan are working and what needs to be improved in a speedy manner. TNS's Launchpad service partners with Kantar Worldpanel to combine trial and repeat data post-launch, with awareness data and an understanding from consumers about launch effectiveness. We seek to understand whether our clients' communications are cutting through to the extent they should expect given the spend level, the effectiveness of ATL and BTL in driving trial, barriers to trial and any issues that are holding back repeat purchase.

Recently we conducted a case study for a new launch in the biscuits category. We found awareness was disappointing given the advertising spend in the first couple of months post-launch. Data from KWP showed that

while there was rapid growth in penetration in the first few weeks, trial began to plateau after a month. Consumer interviews showed a marked difference in the effectiveness of different activities in converting awareness to trial. Figure 2 shows in-store activity was four times as effective in converting awareness to trial as TV advertising. Word of mouth, although much less likely to generate awareness in the first place, was six times as effective in converting awareness to trial. This led to a recommendation to convert a proportion of planned TV spend to in-store activity in the second quarter after launch.

Consumer research also showed significant untapped potential remained for the launch - both among those who were already aware but had not yet tried the product, and among those who hadn't become aware of the product but expressed an interest in purchase once we showed them the proposition as part of the research.

We found that the untapped potential consumers were somewhat older than people who had purchased already and relatively more likely to be C2DE. This clearly has implications for media placement and distribution. What's more, we were able to show that in messaging, the new product brand would need to build more on the parent brand's wholesome credentials to maximise its chances of converting these consumers to trialists.

So overall our recommendations to maximise innovation success are:

- Focus resources on identifying unmet/under-met needs.
- Create a strong insight based on the unmet need with a friction the product can address.
- Assess the opportunity for the product to charge a premium by providing this benefit.
- Make sure concept testing can confirm that the innovation will bring incremental growth to the brand.
- Once convinced of the winning innovation, launch big to maximise the chance of success.
- Monitor the launch in the early stages post launch to optimise return on investment.

In short - launch fewer products, launch better products and launch products better.