

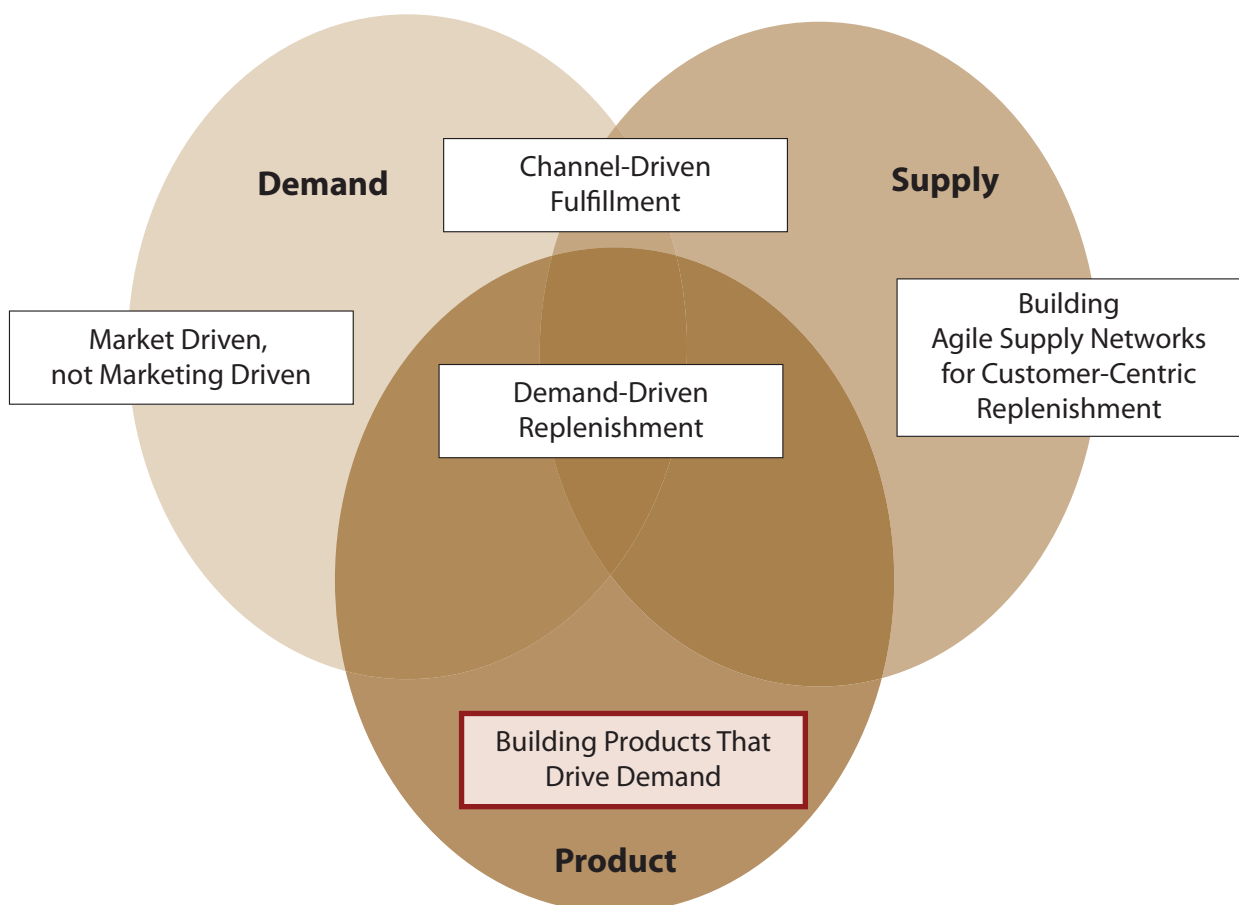
Part 2: How Can You Be Demand Driven If You Don't Know Your Shopper?

by Lora Cecere

More than 80% of new products launched in the consumer products (CP) industry failed to meet goals last year. While more than 100,000 new UPCs were launched, the number of products customers routinely buy dropped from 380 to 340. As consumer companies retool to become more global, it is time to rethink innovation processes to become more demand driven, with a core foundation built on demand insights.

In this second of a two-part series on the use of shopper insights to define demand-driven processes in CP, we share guidance on how to make this shift and build products that spur demand. In the first part, we looked at how shopper insights aid the transition from being a marketing-driven company to a market-driven leader (see “Part 1: How Can You Be Demand Driven If You Don’t Know Your Shopper?”).

Figure 1: The five essential demand-driven strategies



Source: AMR Research, 2005

The facts are grim. While growth and innovation remain a top priority for CP companies, the success rate was poor in 2006:

- More than 80% of new products launched failed to meet their goals.
- More than 100,000 new UPCs were launched last year, but only 1% or 2% of new consumer products become \$100M brands.
- Despite the increase in product proliferation, the number of products customers routinely buy dropped to 340 from 380.
- Breakthrough innovation was rare; 56% of new products launched were current products or line extensions.
- In the face of CP company failure to innovate, retailers are becoming innovators and launching new products.

The question that is top of mind for CP companies is how to reverse the trend and achieve the most memorable new product launch.

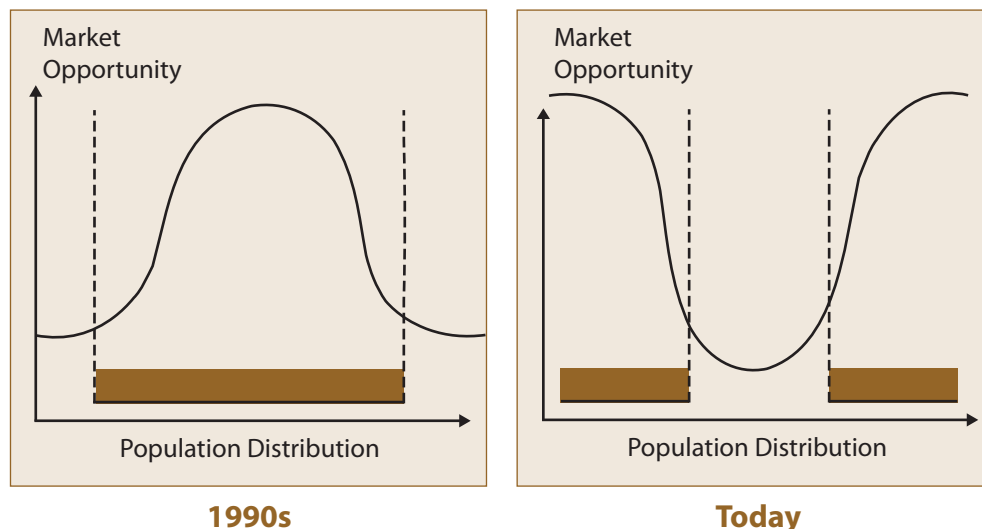
In 2006, this coveted title was won by **Groupe DANONE**, with the launch of Activia yogurt. In 2005, the winner was **Anheuser-Busch's** Budweiser Select beer. How was this accomplished? What attributes—marketing budgets, partnerships, marketing tactics, in-store techniques, and advertising channels—were used to make these memorable products? How were the products defined (packaging, ingredients, and target markets)?

We know that top performers use shopper and customer insights with a focus on outside-in innovation, with leaders getting 30% more ideas from design networks. Here's some guidance on how to use demand insights more holistically to reverse these trends for the CP industry:

Move from a bell curve to a well curve

What constituted successful innovation in the 1990s will not make it successful today. Historically, national brands were built using marketing power focused at the average consumer (the bell curve), but not anymore. The most powerful products are now at the edge of the well curve: distinct products targeting specific market sectors based on shopper and customer insights (see Figure 2).

Figure 2: Shift from the bell curve to the well curve of opportunity



Source: AMR Research, 2007

The trends are clear. The greatest growth in products is in those that answer unique requirements in the following areas:

- Health and wellness
- Going gourmet
- Kids
- Anti-aging
- Quality and lifestyle
- Eco-friendly

The unique opportunities lie in the intersection of these trends based on shopper demographics.

Consider this example: in India, **Unilever** developed a new formulation of its Surf Excel detergent that produces less lather, helping to conserve water by requiring less rinsing. Unilever's marketing claims of saving about two buckets of water a day without compromising on stain removal were confirmed by a local expert. Sales of Surf Excel have grown nearly 50% since the relaunch.

Embrace demand insights

Few CP companies will argue against better use of demand insights to innovate, but how do you do it? Here are three technologies and processes to consider:

How can I understand attributes and sales patterns of similar products?

These insights aid better planning of new product launches. At the recent **IRI** conference, **Mintel GNPD IRIS** showcased a global database of new products in the CP industry from 140 countries since 2002. It outlines the attributes of each product in a searchable format and, through a partnership with **IRI**, gives data on the actual sales of each product for North American and European markets. The data is available through either a browser or pushed to your desktop based on attribute when new products are added.

How can I understand critical factors about new product launches and relate it to volume?

The **IRI New Product Profiler** is designed to answer this need. It helps CP companies set initial sales targets by analyzing similar products and marketing tactics (merchandising, coupon activities, and media spend) and using what-if analysis to determine launch targets. While demand-forecasting tools can help to estimate volume lifts based on product attributes, they cannot fine tune the forecast based on marketing mix at the granularity of the new **IRI** product.

How can I know what customers are saying about my products?

When a product is launched, most customer feedback is in an unstructured data format: blogs, websites, wikis, or customer service calls. Being able to mine this unstructured text and use it in decision-support technologies (which can only use structured text) presents a great opportunity. New technologies are now appearing that let CP companies get market insight quickly on product launch from unstructured sources to provide closed-loop feedback on the consumer response to a new product launch. Look for help in this area from vendors like **Attensity**, **Clarabridge**, **Clear Forest**, **Infosys**, and **SAS**.

Success comes down to passion and leadership

The new world of shopper insights demands companies plan globally and act locally, but execute at the neighborhood level. Processes are being redefined to match shopper attributes to product attributes to define the demand response. The front office is changing from a project- to a process-driven world, and the battle is waging between retailers and manufacturers on the best insights to foster innovation.

However, all the data in the world, even though it can help, will not forge winning strategies. Thomas Davenport, author of the new book *Competing on Analytics*, presented a fascinating look into this at the **IRI** conference.

Two elements of his presentation resonated with our research: the redefinition of analytics from traditional reporting approaches, and the need for leadership and passion to induce change.

Move to predictive analytics

While many clients have invested in business intelligence (BI) in the front office, most of these applications slice data and report based on inward-looking control and efficiency. Companies lack an outward, sensing capability to meet the needs of these demand-driven strategies.

BI strategies need a redefinition to include predictive analytics such as optimization, response-curve modeling, natural language processing, pattern recognition, and data scoring. The **IRI's** new **Liquid Data Platform** is an example of this trend, and we expect to see news from several other large technology providers in the next three months that will start to redefine the front office for CP companies.

These products will be best-of-breed systems combined with service-oriented architectures (SOAs) and delivered using hosted models. They will be powered by deep data analysis and mining technologies based on downstream data repositories (DSRs).

Passion and leadership

In most mature demand-driven organizations, the change was powered by passion and leadership. The leader of sales at **Pfizer Consumer** followed a vision that resulted in downstream data for 85% of the channel. **Anheuser-Busch** invested in a **Teradata** product to harmonize daily distributor sales data to pubs and restaurants to reduce latency and improve the demand response. In the words of one client, "The most important attributes for a good employee are a deep understanding of the shopper, the ability to see market data in multiple dimensions, the drive to win, and a passion to test market hypothesis."

While we talk to many CP leaders on these topics, the most common denominator in success is not the technology or the process, but the leadership and the passion to use data to win.

Innovation processes in CP products need to change

Companies must first focus on demand insights and market sensing, but the inertia can only come from passion and leadership. Let us know how we can help. For more research on these areas, see the following:

- “The Handbook for Becoming Demand Driven”
- “A Handbook for Consumer Product Companies Using Downstream Data”
- “What Is a Demand Signal Repository?”
- “Own the Shelf Replenishment Problem”
- “Trade Promotions Management, Take Two”
- “New Product Launch Success Starts With Accountability: Who Owns the Process?”
- “DDSN in Consumer Products: Rethinking Processes for Time to Market”
- “The CIO’s Guide to the PERFECT Product Launch: Translating Innovation to Business Benefit”
- “Product Launch Dashboards, Part 1: The Hierarchy of Product Metrics”
- “Improving New Product Launch Forecasting for Consumer Products Companies: Three Ideas That Work”
- “Case Study on Forecasting New Product Introductions: Three Techniques To Consider”