INNOVATE WITH BALANCE

With the right mixture of your company's and consumers' needs, everyone wins.

By Barry Curewitz

Brand managers have always been faced with the need to balance new product innovation with available resources and management's expectations. How those development priorities are established continues to evolve. Years ago, when marketing was a hotbed of creativity, a different set of circumstances influenced the process. Today, dynamic economic conditions including shareholder expectations and market factors have directed managers to rely on line extensions in place of true innovation. Through this focus on near-in new products, a set of challenges has developed that limits the success of these endeavors. By reviewing some success stories and reassessing common practices, we can identify some easy-to-implement process enhancements that can lead to greater new product success.

Strategic Prioritization

Up until the recent turmoil in the global marketplace, most companies were clamoring for growth and desirous of "doubling the business in five years." To achieve this lofty goal, they were implementing more strategies and initiatives than ever before. Now, the focus is shifting away from growth and toward the maintenance of current revenue levels while reducing expenses. And all the while, the number of strategies employed against these goals has increased.

Our research shows that a few years ago, on average, companies were pursuing four strategies in order to achieve their targets. Today, we're chasing five. This finding alone suggests that companies are doing more with less stretching resources to the snapping point. Such an approach only weakens the organization and hinders the potential success of each initiative.

Consider what Campbell Soup did in the late '80s. The company identified the need for a healthy, lunchtime meal that was convenient to prepare and nutritious. It invested significant resources in the identification and development of a new sub-brand and subsequent product line. Research of this idea indicated a monster hit was on the horizon if the launch was supported properly. The company launched eight Souper-Combo products, which combined a frozen bowl of soup and a sandwich, and achieved initial distribution targets.

Unfortunately, the product line didn't last. Yes, there were minor issues that needed to be addressed like the need for clearer, easier-to-follow heating directions. But the true cause of failure was the limited support provided to the brand. The actual, realized support level paled in comparison to that tested in research. Consumer communication and trial programs were "right-sized" in order to support other business needs within the company. This brand's failure was a function of spreading too few resources against too many competing needs. As a result, hundreds of millions of dollars were left in the market for others to claim—and the resources invested to develop this initiative were for naught.

As financial markets realign in today's environment, so should marketers. Rather than pursuing every growth avenue possible to placate Wall Street, reassess. Now is a great opportunity to balance what "can be done" with what "should be done." Ask yourself:

- What should be done for the "good of the business"?
- Which course-of-action will position the company for long-term strategic growth?
- What is a realistic growth target that can be achieved with a concentrated effort behind just two or three core, strategic initiatives?

New Product Strategy Limitations

Of the six core strategies companies use to grow their businesses, three focus on the development and launch of new products (see Exhibit 1). In fact, every company represented in Hulmeville, Penn.-based Whole-Brain Brand Extension's study, "Creativity in New Products, A Reality Check," plans to launch new products in the near future. The foundation of these efforts segments into two fundamental strategies: the leveraging of something existing (line extensions based on an existing technology or extending a current brand) and the development of something completely new. Both approaches require care and nurturing. If an extension fails, the base business could be damaged. If a new platform doesn't work, resources have been invested with poor financial return. (Although one could debate the learning experience of this activity strengthens the organization and therefore provides significant benefit—an argument for a different forum).

It is important to recognize an organizational implication of pursuing an extension approach. Developing products based on an existing framework can lead to a mindset that is unlikely to foster significant growth—"incrementality". When Prego launched a new spaghetti sauce with garlic some years ago, it leveraged an existing manufacturing competency (production of spaghetti sauce) to maintain or gain an extra facing on the store's shelf and the resulting volume. And while this activity is fundamentally good business, it can't be relied upon for significant growth in the near-term. For Prego, the true volume gain in year one (after accounting for cannibalization of existing products) was insignificant to the overall business. Unfortunately, nine in 10 companies use Prego-like line extensions as a core growth strategy, and two in 10 consider it "most vital" in achieving corporate goals.

Extending a brand's equity to an adjacent category is another approach to growing a business by leveraging an existing asset. But beware. Lenox, a company known for quality fine china, attempted to establish itself as a market leader in "casual" dinnerware. The company had expertise with designing fine china, and knew how to manufacture it. Yet it failed with casual dinnerware miserably.

Management accepted the notion that extending the brand name to a less expensive, more frequently used product

EXECUTIVE briefing The concept of innovation has become much maligned over the recent past. And with the changing marketplace sending waves of caution throughout the corporate world, this trend is likely to continue. Meanwhile, consumers remain the gatekeeper to a brand's success. By recognizing the implications of an "incrementality" mindset, as well as how new product processes are currently managed and challenged, today's marketer can enhance new product success rates by better addressing real consumer needs.

category might negatively affect the brand's equity—and they were OK with that. What management refused to recognize was that casual dinnerware required a very different business model. They didn't possess the competencies necessary to design a product consumers would purchase for everyday use. And they didn't have the ability to manufacture (or conviction to source) high-quality product that the branding deserved, at a price point consumers would value. A collection of products called Casual Images was launched, and achieved year one targets by filling the distribution pipeline. But soon thereafter, retailers dropped the collection because the resulting value proposition couldn't generate enough interest from the target audience.

Today, nearly seven in 10 companies (66%) are planning to extend their brand equities into new categories. And while this might appear to be an easy way to gather low-hanging fruit, ask yourself:

- Does the company possess the skills needed to effectively develop and launch a product consumers will value?
- What will happen to the brand equity if this extension is successful?
- What will happen to the brand equity if this extension fails?
- Is there a better way to expend our limited resources (time, effort and money)?

Tactical Deficiencies Limit Gains

While earning my master's degree in business administration, I studied the value and practice of post-mortems. When I first started working in corporate America I was surprised at how rarely this valuable tool was exercised. In a 20-year career, working with and for a number of large consumer-packaged-goods firms, I can't recall the completion of a single formal new product post-mortem—for either a successful or unsuccessful launch. This "head down" approach by management isn't so surprising, when considering the number of companies that fail to accurately assess their situation vis-à-vis growth expectations and the resources ear-marked to help fuel growth.

To frame this issue a little more, we developed a list of 10 potential barriers to new product success for exploration in our first wave of research (Exhibit 2). One-hundred-and-twenty-eight marketers from nearly every major consumer packaged goods company were asked: "Within your company, which of these barriers are you currently contending with and which one occurs most frequently?"

Three of the four most prevalent issues are tactical in nature, and each has a direct impact on a company's near-term financial performance. Far and away, the most common issue marketers face is the "lack of human capital." And second

Exhibit 1

New products are a strategic imperative

Line extensions get more attention, while innovation is considered more vital*

Six core growth strategies	Company currently utilizes	Considered most vital to company success
Line extensions of existing brands/products (**new products** based on an existing platform)	92%	19%
New marketing strategies or tactics for existing products to grow share	86%	18%
Developing completely **new products** or brand platforms (innovation)	85%	24%
New distribution for existing products (new geographies, channels or accounts)	84%	23%
Mergers, acquisitions and/or licensing (licensing could be technology or brands, "inbound" or "outbound")	72%	9%
Extending existing brands into new categories (brand expansion with **new products**)	66%	5%

*Data from Creativity in New Products, A Reality Check (2007) place is filled with "limited financial resources." Concurrently, "lacking of company competencies" affects about four in 10 companies. Considering the current global economic environment, it's unlikely these issues will dissipate unless the number of priorities and strategies actively pursued dissipates.

All the while, the strategic challenges of greatest relevance are closely linked; developing differentiated opportunities and identifying the key consumer insight. When the tactical issues already discussed exist, is it any wonder these strategic issues are commonplace?

It's reasonable to conclude the tactical issues mentioned here directly and indirectly limit the success of new products. The lack of human capital, combined with restricted resources, limits the potential to identify a motivating consumer insight—and thereby develop differentiated product offerings. Perhaps there's another way to marshal resources for new product development that more effectively balances the development of near-in and further-out opportunities.

New Product Surveys

Creativity in New Products, A Reality Check (2007)

128 consumer packaged goods marketers

- 23 managers
- 28 directors
- 47 vice presidents
- 30 general managers/presidents

Participants by company revenue

- 29% of respondents <$250 million
- 17% of respondents between $250 million and $1 billion
- 21% of respondents between $1 billion and $5 billion
- 33% of respondents >$5 billion

Sampling of companies represented

- Abbott
- Bayer
- Church & Dwight
- Colgate
- ConAgra
- General Mills
- Heinz
- Johnson & Johnson
- Kraft
- Novartis
- PepsiCo
- Reckitt Benckiser
- Unilever
- Welch's
- Wrigley

Key Determinants for New Product Success (2008)

692 consumers completed 3,546 product evaluations

- Average respondent age, 47
- 49% male, 51% female
- Average household income, $59K

Products included for evaluation:

- Campbell's Soup at Hand
- Dibs
- Duncan Hines Oven Ready
- Go-Gurt
- Listerine PocketPaks
- OxiClean Stain Remover
- Smucker's Uncrustables
- Red Bull
- Splenda Granulated
- Swiffer

What Works and What Doesn't

In the companion survey titled "Key Determinants for New Product Success," we changed our approach. Rather than question marketers about their new product practices and challenges, we surveyed consumers. Product triers were recruited for 10 different brands that could be purchased from food, drug and mass merchandise retailers. The products selected are considered "success stories": they've lasted well beyond their original launches, and have created platforms of growth for their parent companies. We included a number of common marketing measures in this effort. From product uniqueness to awareness, from product trial to satisfaction, we covered the gambit. Each of the products explored succeeded (or didn't) on a variety of measures (see Exhibit 3). Here are some examples:

- From this research, it appears consumers are still searching for their ideal stain remover—although it's right in front of them. In fact, four of 10 people who ever tried OxiClean did so because they were seeking the promoted benefit. OxiClean delivers the goods; it fulfills its promise. To overcome its perceived "sameness," the brand team should consider development of a differentiated delivery system, or at least a stronger message. This product performs; it's time to fuel its growth.

- Dibs, the summertime treat, excels in a number of areas and falters significantly in a few. Overall, this brand captures the imagination of consumers (with high uniqueness scores) and one could argue as a result, it has high degrees of awareness and product trial. Users claim to be satisfied with the product's performance. So what's limiting this brand's potential? Its promoted benefit scores low on the desire scale ("bite-sized, munchably small and delicious"). Perhaps a stronger end benefit would enhance this brand's market position, and raise it from impulse to staple.

- Overall, Campbell's Soup at Hand is a success, scoring mostly in the normal range across almost every measure. As a handheld, microwaveable product, it's not very unique compared to others in the study. Awareness levels and consumer interest in the brand's promise is standard. The product delivers on its promise. The limiting factor in retaining consumers? It's most likely the plethora of options at shelf (many of which are branded Campbell's).

Each of these products was built from existing platforms. As long as expectations were managed according to their value proposition/offering and support level, they should be considered successes. However, as marketers, how creative do we consider ourselves to be when a stain remover or a microwaveable soup are solid examples of new product success? Isn't it time to reach for greater heights?

True Product Innovation

There was a time, several decades ago, when marketers were some of the most creative people in the room. New products, new ad campaigns and new consumer insights or promotions were all as close as a cup of coffee. But today, that's not so much the case. With the proliferation of the MBA in the '70s, combined with an increase in stockholder expectations in the '80s, creativity has been squeezed out of the room, and out of the development of new products.

Management's resulting desire to control the new product process using Stage Gate models, and mitigate financial risk by leveraging existing platforms, has severely handicapped our collective approach in the creation of products that deliver new consumer experiences. Think of it as having an organized closet and a balanced checkbook, and not - lots of attention paid to analysis, detail, and execution vs. creativity, instincts and impulsiveness.

Why does this matter? Well, if many of us use the same fundamental, rigid approach, we're going to develop and launch "me-too" products. Most new products in a given category will resemble each other, and lead to a lack of differentiation (isn't that what's happening already?). In actuality, this desire to reduce risk and up-front investment increases the risk of failure and disappointment in the end. More to the point, 88% of marketers participating in the first research study believe new products fail because they lack differentiation.

Conversely, if we implement processes based purely on an unstructured approach, how likely is it that the ideas will ever see the light of day? Great ideas are one thing, but developing a product and successfully launching it with consumer acceptance is very different.

According to the research, today's marketer has a good

Exhibit 2
What's preventing new product success?

Tactical issues tend to be the limiting factor*		
Marketer's development challenges	**Current challenge**	**Most frequent**
Tactical Issues		
Lack of human capital	58%	21%
Limited financial resources	52%	13%
Company competencies lacking	42%	12%
Expected ROI/sales volume too low	38%	13%
Existing brand equities don't transfer	20%	3%
Product technology doesn't exist	17%	4%
Strategic Issues		
Opportunities lack differentiation	46%	13%
Key consumer insight is missing	41%	7%
Competitive barriers/challenges	33%	2%
Lack of motivating consumer proposition	23%	5%

*Data from Creativity in New Products, A Reality Check (2007)

Exhibit 3
New product benchmarks

Consumer-based criteria*					
Measure	Study Range	**Study Norm****	OxiClean Stain Remover	Dibs	Campbell's Soup at Hand
Product uniqueness top 2 box***	25-67%	**47%**	25%	60%	50%
Awareness	45-83%	**67%**	70%	73%	68%
Trial	17-59%	**36%**	32%	40%	31%
Wanted promoted benefits	10-52%	**32%**	41%	10%	31%
Product satisfaction top 2 box***	31-62%	**55%**	59%	62%	59%
Consumer retention (The number of current users divided by the number of people who ever tried)	15-49%	**28%**	42%	18%	23%

*Data from Key Determinants for New Product Success (2008)
**Average of 10 products tested
***7 point scale

idea of where we are as a group on this matter, and where we need to be. In the study, "Creativity in New Products, A Reality Check," marketers were asked where on a scale of one to seven, from an unstructured thought process to structured, their company was currently operating, and where they thought the "ideal" was. Nearly three in 10 participants view their companies as being very structured (based on analysis,

If many of us use the same fundamental, rigid approach, we're going to develop and launch "me-too" products.

attention to detail and execution). Half of the participants believe their company is operating with a "balanced" approach (between three to five on the scale). Just one in six respondents believe their company operates based on a very unstructured methodology (based on creativity, instincts and innovation). More importantly, 84% of participants concluded a balanced approach would be ideal (see Exhibit 4).

After years of extending our brands with linear, me-too initiatives, it's time we got back to the marketer's creative roots. And here are some simple, inexpensive ways to do it.

- When conducting exploratory research, sit back and listen and observe. Do it as if you were new to the category; leave your bias and perspective in the car. As you're watching, make note of the emotions that are expressed. Understanding how the target audience feels is equally important as understanding what they express their need to be. By understanding and marrying the two, you'll be better prepared to develop products that address their fundamental, pragmatic needs—and position them in a way that excites consumers, because you can soothe their emotional desires.

- When ideating, have just as many non-company participants in the room as company (or more). If you're working on a power tool, include a chiropractor to better understand the biophysical implications of the user's needs in combination with your technology and ideas. If a new spaghetti sauce is needed, why not include a waitress from a local restaurant? They could speak to how patrons season their food, and what gets left behind at the end of a meal.

- Idea development and testing must also account for the whole consumer. The first time ideas are shared with potential users, provide just a brief description (a sentence or two) about what the product will do. Let the respondent express how it would be used, what it would replace and what could make it better and more valuable. Then encourage them to talk about the product idea in relation to their lifestyle. How would this make life better? Get this information in their terms. Once this research is complete, you'll be in a better position to narrow the number of ideas to develop further, and for those moving forward, craft concepts that tell a story the audience will identify with.

Exhibit 4

Marketers desire a balanced approach to new products

Today, 54% believe their efforts are balanced, while 84% consider this an "ideal"*

		Current	Ideal
	Top 2 Box	29%	12%
Very Structured (Based on analysis, attention to detail and execution)	7	8%	0%
	6	21%	12%
	"Balanced"	**54%**	**84%**
	5	16%	24%
	4	17%	47%
	3	20%	13%
Very Unstructured (Based on creativity, instincts and innovation)	Bottom 2 Box	17%	4%
	2	9%	4%
	1	8%	0%

*Data from Creativity in New Products, A Reality Check (2007)

Applying these enhancements to the product identification and development process significantly increases the likelihood of crafting differentiated products that will address the "whole" consumer and generate excitement. All the while, this approach will help balance the company's needs with those of the consumer resulting in a higher rate of return on your new product investment.

Author's note: Two primary research studies were completed and sited for this report: 128 senior, consumer packaged goods marketers participated in the study, "Creativity in New Products, A Reality Check;" 692 consumers completed 3,546 evaluations of 10 popular brands/products in the study, "Key Determinants for New Product Success."

About the Author

Barry Curewitz is managing partner of Whole-Brain Brand Expansion (www.wbbe.biz), a boutique consultancy that assists clients in the crafting of differentiated products that consumers buy. He may be reached at barry@wbbe.biz.