



HOW WELL DO YOU REALLY KNOW YOUR CONCEPT?

An Ipsos InnoQuest POV

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THE NUMBER OF CONCEPTS TESTED AT THE EARLY STAGE OF THE INNOVATION PROCESS HAS INCREASED DRAMATICALLY OVER THE YEARS AND STILL INNOVATION SUCCESS RATES HAVE NOT IMPROVED.

Why is this? Have lower research costs led to companies testing larger numbers of concepts simply because they can afford to? Are weaker ideas that would have been subjectively rejected before now being tested? Or, are concept testing tools themselves falling short in their task?

Traditional tools provide information about how good your concept is vs. a benchmark or other concepts in a database. They tell you if your concept is good or bad or somewhere in between – but do not offer specific next steps beyond “go” or “no go.”

At Ipsos InnoQuest, we evaluate concepts using our **RED** measures – Relevance, Expensiveness and Differentiation. Our R&D over the decades has demonstrated that these measures drive innovation success in market; moreover, they offer specific guidance on how to improve or re-work concepts that may not meet benchmarks but demonstrate the potential to succeed.

Still, to really understand your concept – and how it fits with your overall innovation strategy – you need to know exactly what type of innovation it is, and based on that type of innovation, what steps you need to take to make it successful. After all, your marketing strategy for a breakthrough product will be much different than for a me-too product, as would your strategy for a premium product versus a value product.

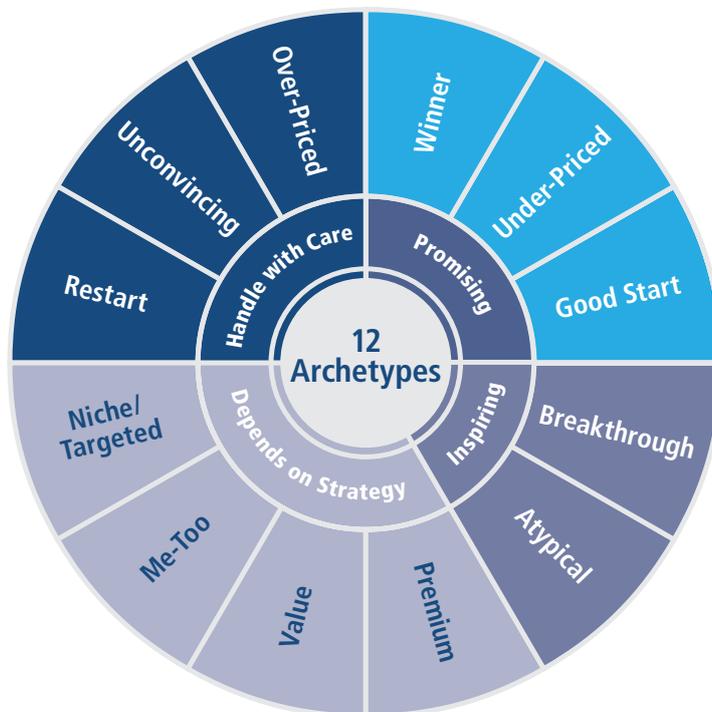


PAINT YOUR INNOVATION PORTRAIT WITH ARCHETYPES

We have identified 12 Archetypes into which consumer packaged goods innovations can be classified.

The Archetypes are grouped into four types of innovations which reflect overall next steps: Promising, Inspiring, Depends on Strategy and Handle with Care.

The Archetype IQ System



The Archetype IQ System is based on consumer evaluations from 10,000+ cases in our concept database. Each Archetype has its own personality profile based on key performance indicators, namely the **RED** measures (Relevance, Expensiveness and Differentiation) as well as Believability.



LEVERAGE ARCHETYPES TO SEE THE WHOLE PICTURE

Identifying your innovation as one of the 12 Archetypes makes your concept testing much more powerful. Armed with this information, you can answer the following “big picture” questions:

1.

Do you have the **right mix** of innovations in your pipeline?

2.

How does your innovation fit with your **brand strategy**?

3.

Now that you know your Archetype, how should you **proceed**?



1.

DO YOU HAVE THE RIGHT MIX OF INNOVATIONS IN YOUR PIPELINE?

Successful innovators understand the benefits of having a mix of incremental and breakthrough ideas in their pipeline – yet it is surprisingly rare to find companies who set clear targets relating to the number of each they plan to launch.

Incremental innovations such as line extensions can play an important role in keeping a brand fresh in the minds of consumers. They can also be an important tool in managing the relationship with retailers who are looking for a good assortment of products on shelf. A steady stream of line extensions can help marketers maintain facings as well as invigorate the category.

A breakthrough innovation, on the other hand, typically costs more to develop and return on investment takes longer. As a result, they are often perceived to be more risky despite the fact that there is clear evidence that breakthrough innovations tend to be more profitable than incremental innovations when you get it right. Moreover, breakthroughs don't carry the risk of cannibalization that line extensions do.

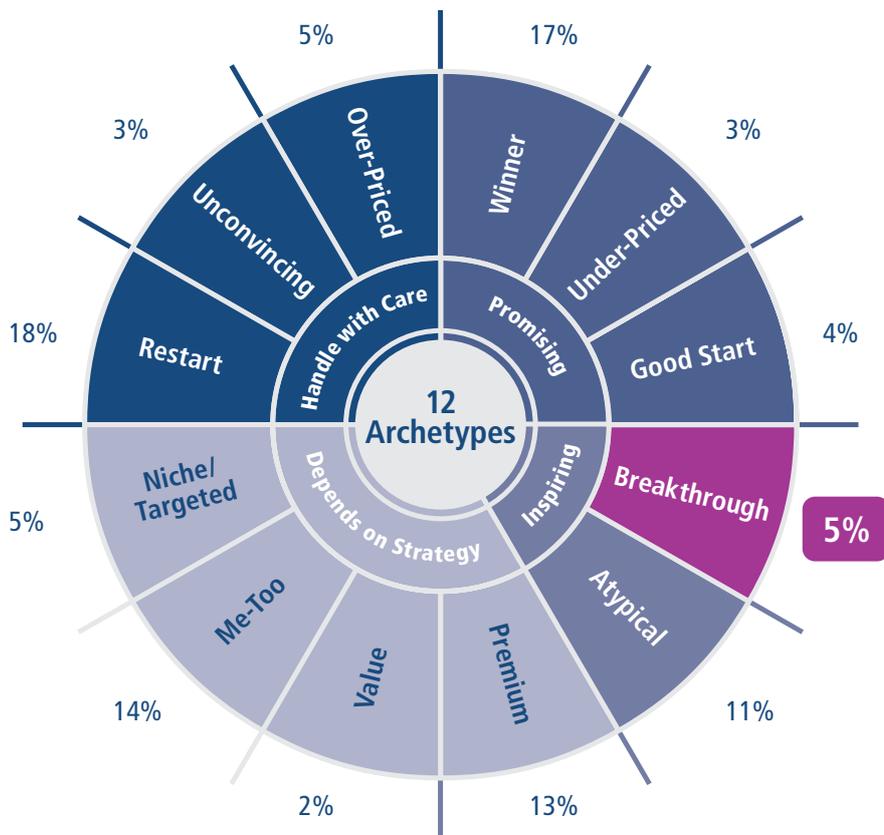
The perceived risk associated with breakthrough ideas often leads them to be rejected during the innovation process – leaving companies relying solely on incremental innovation. Whilst one line extension failure in market may not be a complete disaster, there is potential for longer term damage to a brand's reputation among both consumers and retailers if multiple launches underperform in market. A pipeline reliant on incremental activity alone not only limits long term profitability but it also focuses precious internal resources on ideas which deliver lower return on investment.



The research challenge is that breakthrough ideas are often considered to be expensive, suffer from believability issues and attract low purchase interest scores. As a result they are often exactly the sort of idea that is rejected in traditional concept screening.

Our global database certainly supports these findings because only 5% of concepts in our database are identified as Breakthrough Archetypes, whereas almost three times that number are Me-Too Archetypes.

**Distribution of Archetypes in Ipsos InnoQuest Global Concept Database:
Only 5% of Concepts Tested Are Breakthroughs**



Research that depends solely on Purchase Intent as the key performance indicator can also get in the way of developing breakthroughs. Why? Because Purchase Intent is typically high for familiar line extensions and low for unfamiliar breakthroughs. Using the RED measures instead of Purchase Intent will help advance breakthrough innovations – we see that 70% of breakthroughs are advanced when the RED measures are used compared to only 15% being advanced when Purchase Intent is used.

The Archetype IQ System classifies each of your concepts according to its profile on key measures to ensure you can differentiate between hidden gems and bad ideas. It will clearly identify what mix of concepts you have in your pipeline enabling you to maximise your chances of success.



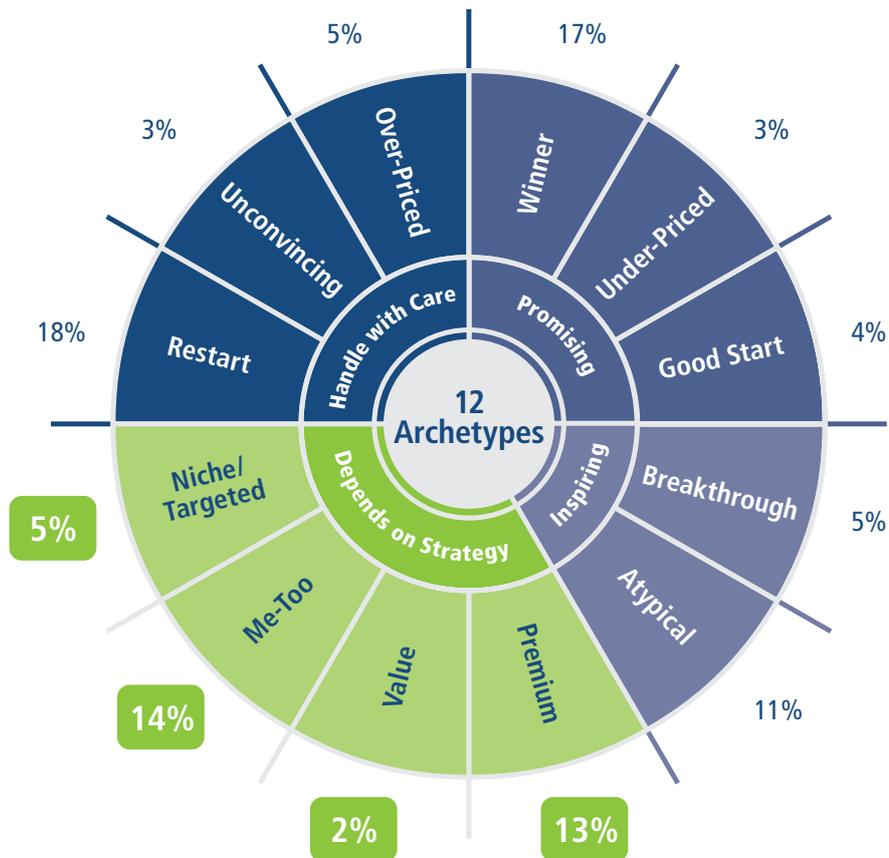
2.

HOW DOES YOUR INNOVATION FIT WITH YOUR BRAND STRATEGY?

Obvious winners and losers are easy to identify due to their consistently high or low scores across all measures. However, life is seldom clear-cut and often results are a mix of positive and negative scores.

In these cases, the innovation may still be worth pursuing but only if it matches your objectives and fits your brand strategy. It is critical that innovations with limited mainstream potential are not progressed without a clear rationale.

This is why our Archetype IQ System includes a cluster of four Archetypes that we call 'Depends on Strategy'. In fact, almost a third of our database falls into this group with the majority being Me-Too or Premium innovations



To illustrate how you can use Archetypes to determine if an innovation fits with your strategy, consider the issue of price. Two of the Archetypes in the “Depends on Strategy” group focus on price:

- **A Premium innovation is a fairly strong performer at a premium price.**
- **A Value innovation is an average performer at a favorable price.**

When a concept is identified as one of these two, the decision to progress requires you to consider the strategy you have for your brand.

If your strategy is to be perceived as a premium brand and your concept is a Premium Archetype this would suggest a good fit. If, however, your concept was identified as a Value Archetype there would be a significant risk of undermining the brand's equity so the concept should be treated with caution. The reverse is, of course, true for a Premium Archetype tested under a mainstream brand. Unless there is a long term strategy for the brand to evolve into the premium space it is unlikely that the equity could support the price premium and if price cannot be reduced success is unlikely.

In the previous section we highlighted the impact that a focus on me-too ideas can have on long term innovation success. It is, therefore, important to understand when your innovation is a Me-Too Archetype – meeting a need for consumers but lacking differentiation.

There are situations where progressing a Me-Too is the right decision: for instance, if objectives are to deliver revenue in the short term or to develop a presence in a category. However, it is important to consider that without a clear point of difference your long term potential may be limited and success will be reliant on a strong brand and big marketing budgets.

The final Archetype in the Depends on Strategy group is Niche – a highly differentiated innovation that lacks relevance. It is critical to understand whether such an idea has the potential to be a successful niche product or is just a small opportunity that should not be pursued. This requires further investigation. Is there a loyal group of consumers who love your idea? If so, can they really be effectively targeted in your marketing activity? It may be that the idea appeals to early adopters and the right launch plan could seed the idea with this group so they become advocates convincing the more risk-averse consumers to buy later.

Alternatively, if the product addresses a very specific issue and there is a sufficiently large group of consumers interested in the benefits you are offering then you may be looking at a successful niche opportunity.



3.

NOW THAT YOU KNOW YOUR ARCHETYPE, HOW SHOULD YOU PROCEED?

Often, concept screening results leave you with more questions than answers.

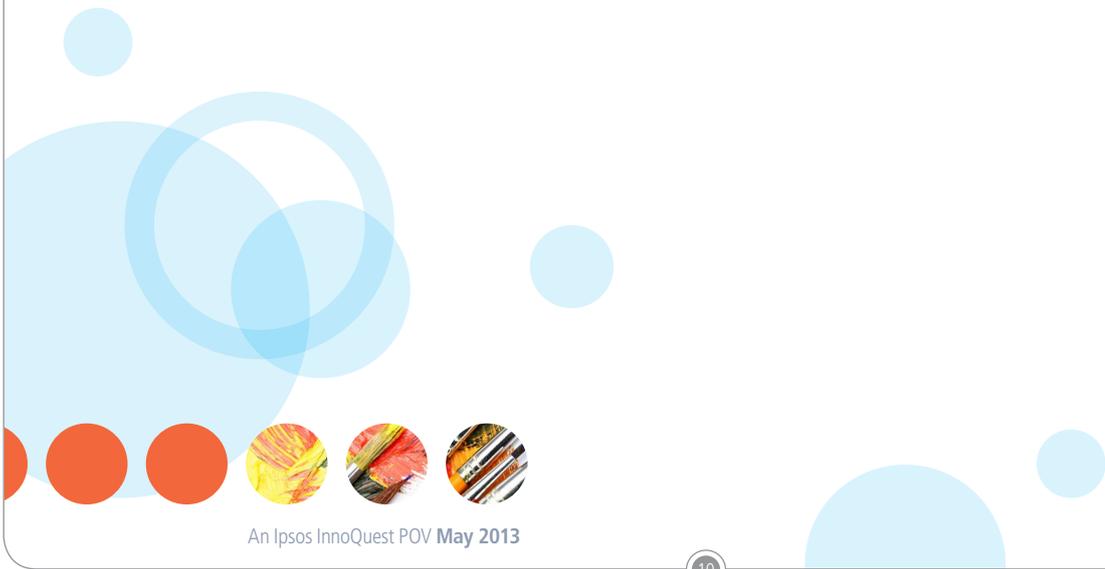
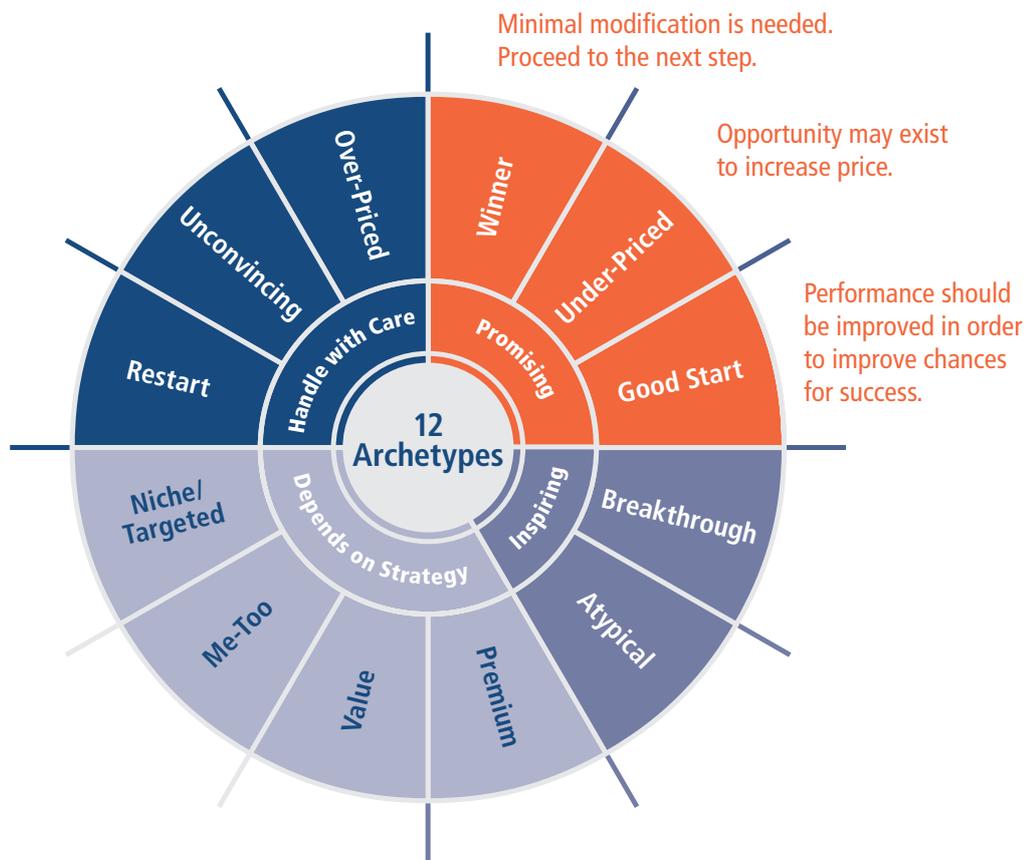
To illustrate this, consider the situation where concept testing results indicate poor performance on price. What are the next steps? Stop the project, lower the price or proceed and price promote at launch?

Archetypes will provide the answer. A high-priced innovation may be one of three Archetypes: Premium, Over-Priced or Breakthrough and next steps can be clearly identified.

Premium Concepts	Over-Priced Concepts	Breakthrough Concepts
<p>If a premium price is right for your brand then the innovation should be progressed. If not, either consider a price reduction or see if there is a different brand in your portfolio that might be a better fit. If not, stop the project.</p>	<p>Either reduce the price or express your benefit more clearly to better justify the premium. If neither is possible, stop.</p>	<p>Certainly worth pursuing but to maximize potential look for ways to enhance consumer understanding and credibility. This may better justify the price premium. Launch plans would need to focus on gaining trial to allow consumers to experience the unique benefits you offer.</p>

Now consider the situation where you have lots of above average scores. How can you prioritize your winning ideas? We divide all the “Promising” concepts into distinct Archetypes to clearly separate the strongest winning concepts (Winners) which can progress with little or no modification from those which are acceptable but unlikely to set the world on fire – we call these a Good Start. You may also find that you have a concept that scores very well on all measures and is actually considered to be Under-Priced. Here you have an opportunity to maximize your revenue by increasing price.

Archetypes Help You to Maximize Your Innovation ROI



KNOWLEDGE IS POWER

The Archetype IQ System paints a more complete picture of your innovation by considering consumer response on a combination of measures rather than only focusing on one measure at a time. By defining an innovation as a distinct Archetype, marketers are empowered with information that enables them to see beyond the concept test scores and make decisions based on:

- **The role the innovation will play vis-à-vis other innovations in the pipeline**
- **How well the innovation will align with brand strategy**
- **How the consumer will perceive the innovation, which will affect the marketing strategy**

Ipsos InnoQuest's Archetypes are provided as standard deliverables with our InnoQuest*Concepts and InnoQuest*CPT solutions.

To learn more, contact your Ipsos InnoQuest representative.





ABOUT IPSOS INNOQUEST

Ipsos InnoQuest is the Ipsos brand dedicated to meeting the innovation and forecasting needs of our clients.

Ipsos InnoQuest helps clients to maximize the ROI of their innovation processes through a unique, global end-to-end offer and deep expertise across a wide array of sectors. Central to our offer is our ability to provide financial metrics – even at very early stages – and clear direction for maximization of initiative potential.

We offer simple, intuitive tools built on a consistent philosophy of what drives innovation success, a comprehensive suite of tools for product research and development offering solutions throughout the product's lifecycle, and powerful simulation capabilities to help clients reach their financial targets. From the fuzzy front end to mix optimization, launch and beyond, we help our clients to maximize their innovation I.Q.

Ipsos InnoQuest is a specialized practice of Ipsos, a global market research company which delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management. With offices in 84 countries, Ipsos has the resources to conduct research wherever in the world our clients do business. In October 2011 Ipsos completed the acquisition of Synovate. The combination forms the world's third largest market research company.

In 2012, Ipsos generated global revenues of 1.789 billion euros, Marketing research contributing to 53% of Ipsos revenues.

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