




# Creating bigger futures.

Insight on game-changing product and brand innovation for leaders and marketing teams in early growth companies.

In this report, we share with you insight, selected industry data, and perspective useful in planning your strategy for introducing new products and creating new brands.

Against the headwinds of an over-crowded marketplace, and price pressure driving nearly every decision, business leaders and marketing executives face difficult challenges to bring game-changing product and brand innovation to the marketplace.

The stakes for market success are growing ever higher. Customers, Consumers and Clients have more choice, and more power in the buying process than ever in history. There's no other strategic initiative more fundamental to business growth than bringing new value to people. To win the consumer products marketing game today requires focus and discipline if you want to create and build a "one and only" brand customers love and can't live without.



Consumer spending in the US accounts for

**72% of GDP**  
and drives the economy.

## Creating bigger futures through product and brand innovation.

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If innovation is the gateway to bigger futures, new products have always been the path. Enlightened business leaders and marketers will focus their collective resources on creating, rather than competing for what's already been created.

You can't lead by following. Only innovation blazes the trail of competitive advantage.

Innovations are happening right now, round the clock, and round the world. Indeed innovation holds the key to our global economic recovery. As a result, there will be a massive increase of new product introductions in every product category as the economy turns around.



# 37,859

new products introduced  
in the US alone!

# 80%

new products failed to earn  
more than \$7.5 million in  
year-one sales.

The marketplace is a slush pile.

Mintel Global New Products Database (Mintel 1/18/10) IRI New Product Pacesetters Report

There's no more room for me-too anything  
in an over-crowded marketplace!

According to Information Resources Inc. (IRI), nearly 80% of new product introductions failed earn more than \$7.5 million in their first year of availability. Of those, only 22% of food and beverage brands, and 16% of new non-food products exceeded this threshold for year-one sales.

Less than 3% of all food, beverage and non-food new products achieve mega-hit status of \$50 million in sales.

In an age of micro-segmentation, failure rates for new product introductions range from 80-90%. (Standard & Poors Industry Survey on Advertising 8/27/08)



the barriers



to product  
and brand innovation.

Many marketers face these challenges:

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## Insufficient understanding of who target consumers are, and what they really care about.

Many marketers develop and introduce new products that are based more in their existing capabilities to deliver incremental change to fulfill customer's demand. Many marketers under appreciate that fact that innovation is more than understanding customer functional needs and responding, rather it's the ability to bring game changing proposals to the right customers who are raving mad about what your product/brand represents to them.

## The brand no longer resonates.

Brands can lose their relevance. Times change. Preferences shift, consumers move through life, poor messaging and positioning—brands lose their shine long before they stop generating cash. Brand meaning gets stretched and weakened over time by ubiquitous extensions and licensing. But as long as cash is being generated— it's all good. For many brand owners, it can be difficult to know when and how to re-invent and re-invest to bring new life to an iconic or under-performing brand with new products.



## Lack of differentiation.

Brand innovation has four fundamental components underlying any value proposition: resonance, difference, substance, and endurance. Most consumer product categories are commodities. If a product isn't good and radically different, it better come with a cheap price. What's worse – in a commodity category, buyers believe any price is too high. New products that win in the marketplace are always perceived as providing greater use value than people pay in cash value. It's not enough to differentiate your brand / product simply focusing on functions and performance benefits.

## Moving too fast.


CEO's operate under constant pressure delivering on promises to Wall Street. In turn, those promises get turned into quarterly financial metrics that product development and marketing organizations have to meet. Consequently, the focus is on the urgent and not the important. Seldom is the long view valued. In the race to market, product and brand development steps are shortened, and the quality and depth of strategic and creative thinking can be diminished. The old saying is still true "there's never enough time to do it right, and always time to do it twice".

## Competing resources and priorities.

The cost of introducing new products and creating a new brand is daunting. At the same time marketing money for new product initiatives is getting harder to come by. Do more with less is the new normal. As the slices of the budget pie get smaller to accommodate more brand extensions, and the pace to market quickens, it's pretty obvious how results can be disappointing.

Add to that the inefficiencies caused by lack of internal support, strong competitive responses, and limited distribution, little wonder executive management can have no confidence they're making sound business and financial decisions on which opportunities they're well-suited to pursue.

For many mid-size companies, the marketing investment for new products can easily exceed \$15-20 million and only generate 5% of sales.



The paradigm shift of radical innovation:

People don't buy products,  
they buy into meanings.  
Radical innovation requires  
proposing new meanings.



The key to sustained competitive advantage for companies is to innovate around new and higher meanings, rather than function and performance. What matters the most to people is not the function of a product, but their emotional, psychological and cultural connection to what a product means to them.

Radical innovation doesn't provide people an incremental improvement of what they already know. Rather, radical innovation is the result of "proposing" an unexpected meaning. This meaning, unsolicited by user needs, once discovered, turns out to be the very thing people were waiting for!



While Seiko and Casio were closely observing user needs and existing meanings, Swatch created new ones.

Back in the early 80's, Seiko and Casio were driving technological innovation in quartz watches, believing people wanted technical precision. However, a Swiss watchmaker realized people cared more about self-expression than technical precision. Swatch was born and proved to be a radical innovation of meaning that created radical market success.



## Forget about user centered innovation.

Many marketers are heavily invested in user-centered market innovation – finding a consumer need and filling it. A radical innovation of meaning rarely, if ever, comes from user-centered approaches. This challenges the current wisdom of crowd-sourcing new product innovation through social media channels. True enough, many companies continue to crowd-source to improve incremental performance within existing market concepts. Only a few visionary companies will gain competitive advantage (market leadership) by proposing new and different meanings altogether.

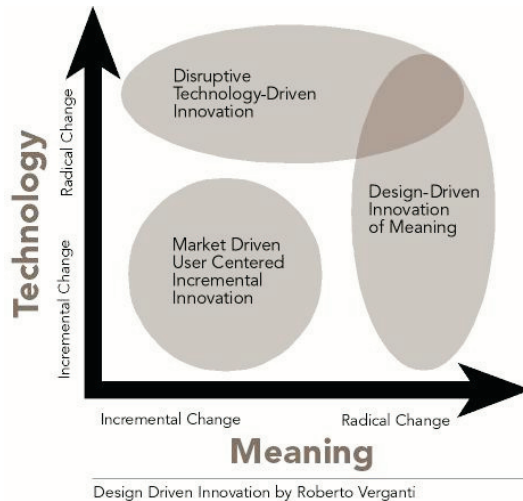
## Be good and different.

The premise is simple—you can't lead by following the leader. New products must be highly valued, and highly differentiated. To remove uncertainty and hedge risk in innovation, many companies rely on focus group testing. While useful for certain kinds of learning, people recruited into focus groups have a frame of reference that is based on what is currently known to them. Most people usually want more of what they currently know—only with more features and cheaper. Radical innovations of meaning don't test well.

Today the marketplace is over-crowded with good. Good is expected. Good = the same! Different on the other hand, is far more elusive. When a company proposes a radical innovation of meaning, it's no surprise it will be first judged as a crazy or impractical idea. A product that is radically different is always far apart from the current dominant meaning in the category.

## What's your innovation strategy?

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In his book, *Design-Driven Innovation*, author Roberto Verganti outlines a framework for mapping strategy for innovation as a radical change in meanings.

Verganti describes the process of innovation as historically being the result of product performance enhanced by disruptive technology advances and intense analysis of users' needs. Radical innovation, on the other hand, is more about baking in the more elusive unexpected meaning into the product.

People discover something unexpected that, when delivered, is exactly what people have been waiting for, just not asking for.

Radical innovation is a proposal to people. Radical innovation is not about function and form, rather it's about purpose and meaning – never driven or originated by users.

As your company maps its innovation strategy, this distinction of radical innovation of meanings rather than features may be a noteworthy shift in your product development and marketing initiatives. If you're not thinking about the idea of radical innovation right now, you can be sure your competitor is.



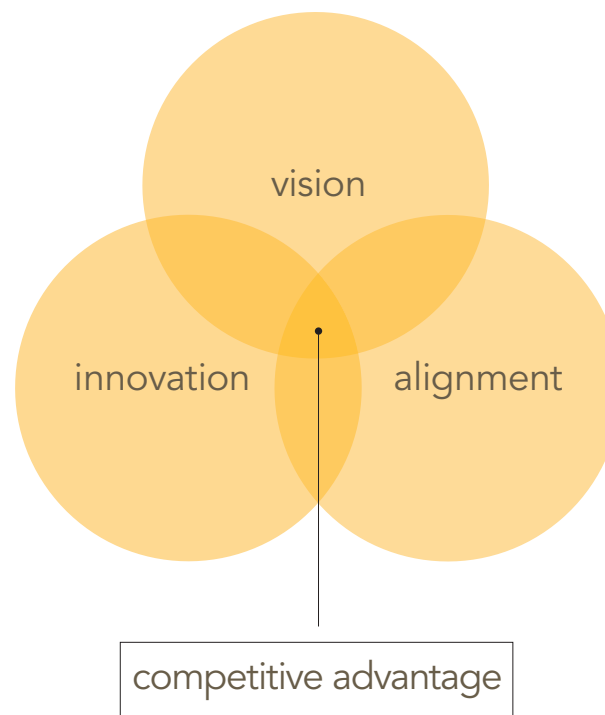
Hands down, the most important challenges marketers say they'll face introducing new products will be vision, innovation, and alignment.

## How clear is your vision looking out on the horizon of opportunity right now?

The global economic reset will continue to slowly shake itself out. As a result, more marketing teams (with enlightened management) will recognize the value of crafting a bigger, more compelling vision for their brand's future. A future that will be rich in opportunity for those brands that truly know who they are, what they represent, where they're best opportunities are to be found, and why they will matter to people. Vision is everything! Everything that ever was, is now, or ever will be, begins with a compelling vision.

## Where do you see your best opportunity to change the game?

The brands that will be rewarded with existence will be the ones that continue to innovate better ways to be of value and serve people. This is where the real game is played. Innovations, both incremental and disruptive, are happening at light speed in every product and service category. There's simply no room left anymore for me-too anything. More marketers will be putting their creative energies into innovating highly valued "meanings" for their offerings, rather than adding more competitive features and benefits—and in the process, invent whole new markets.



## How aligned is the quality of your presence to your vision for a bigger future?

Consumers are online. Increasingly, paid media messaging is less about awareness and more about driving engagement online. To genuinely connect with people there, the web has ever-evolving rules of engagement. Rule number one is you can't control the message. Rule number two is you have to be invited. It is an understatement to say the social web is a sea change of profound magnitude for marketers. Brands must represent and provide intrinsic value to people first—the social web is the perfect venue for doing this. Being authentic, open, honest, and trustworthy—is how the marketing gets baked in these days. Enlightened marketers inherently know us=them.





## Moving up the value chain implies providing something more than an exchange.

It is no longer enough to “exceed customer expectation” with product and service quality. In the new economy, quality is the ante. To thrive, enlightened marketers will shift their focus from counting transactions to creating scintillating, dramatic, novel, relevant, transformative customer experiences. At every touch point, a well-designed customer experience is the main event in defining your innovation as worthy of the love customers bestow on your enterprise.

## The most successful new products typically redefine a category.

Frito Lay Baked Potato Chips, and Dreyer's Slow Churned ice cream aligned with consumers' eagerness to eat healthier snacks and desserts. DiGiorno Pizza elevated the frozen pizza category's expectations to 'delivery' pizza quality. Swiffer redefined how people clean their homes. All these new products proposed new meanings that were fundamental to their success.

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## success factors for new product introductions...

Based on 500-plus global new product cases developed by Nielsen BASES, winning products excel on the these key innovation and customer adaption factors:

- 1 **New product development decisions must be based on the most current multifaceted models of in-market success.**
- 2 **Each step of the adoption process – salience, communication, attraction, point of purchase and endurance – should be benchmarked separately relative to competitors.**
- 3 **Every touch-point in the consumer adoption process must be done well, avoiding any weak links.**
- 4 **Standards for every new product development stage must be established based on consumer touchpoints.**
- 5 **Consumer adoption must include social media buzz and offer true innovation, in addition to traditional measures of success, such as intent to purchase and units per purchase.**
- 6 **Being salient. Winning new products gain the attention of consumers and/or offer a distinctive emotional benefit**
- 7 **Successfully communicating. The message needs to be understood, focused and memorable**
- 8 **Generating consumer attraction. This includes providing a unique solution to a substantial consumer need or desire**
- 9 **Converting attraction at the point of purchase. Product can be found in the right places at acceptable cost**
- 10 **Delivering an enduring product. Consumers adopt the product initially then show strong repurchase behavior, and advocacy**

Nielsen BASES <http://blog.nielsen.com/nielsenwire>



## About the Author

Few business transformation and brand strategy advisors today can bring to bear the depth of expertise and breadth of experience that Thomson Dawson will focus on your growing business.

Thomson brings over three decades of insight, guidance and creative experience to leaders and teams in startup, early growth and mid-market organizations. He is an influential writer, speaker and management consultant on brand transformation, innovation and strategic brand development.

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If you have a business or brand transformation challenge, let's have a conversation.