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# Using Research to Drive New Product Development

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# The Value of Research

Make smart choices and avoid costly mistakes, especially for NPD!



Source: The Onion – America's "Finest" News Source

## Presentation Purpose and Client Background

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To show a “case study” of a client in a mature industry who used research to drive a successful and diversified new product development effort

- Largest direct marketer of beauty products in the US
- Products distributed via mail to customers via an auto-replenishment model

NOTE: ALL QUESTIONS, CONCEPTS, FINDINGS, DATA POINTS AND CLIENT INFO MASKED

# Client Challenges Similar to the Newspaper Industry

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- Mature product category
- Facing stagnant growth and margin pressure due to:
  - Aging/declining customer base
  - Shift away from the everyday use of client's core products among younger women (45 and younger)
  - Increased shift in purchasing toward the retail channel
  - Limited product innovation opportunities

# Management Embraces New Products As Key to Future

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- Management set up a strict mandate to find new sources of growth and demonstrated that commitment by dedicating the people and dollars to:
  - Expand the brand into new markets and channels that offer higher growth potential
  - Use new products as a lever to effect this expansion
- Management also developed an NPD strategy to focus all development efforts within defined boundaries, to end up with a product that:
  - Leveraged existing DM expertise
  - Appealed to existing customers while also attracting new ones
  - Was accretive to margins within 5 years
- Preliminary analysis by management identified three “candidate” categories for exploration
  - Categories included anti-aging skincare and two others

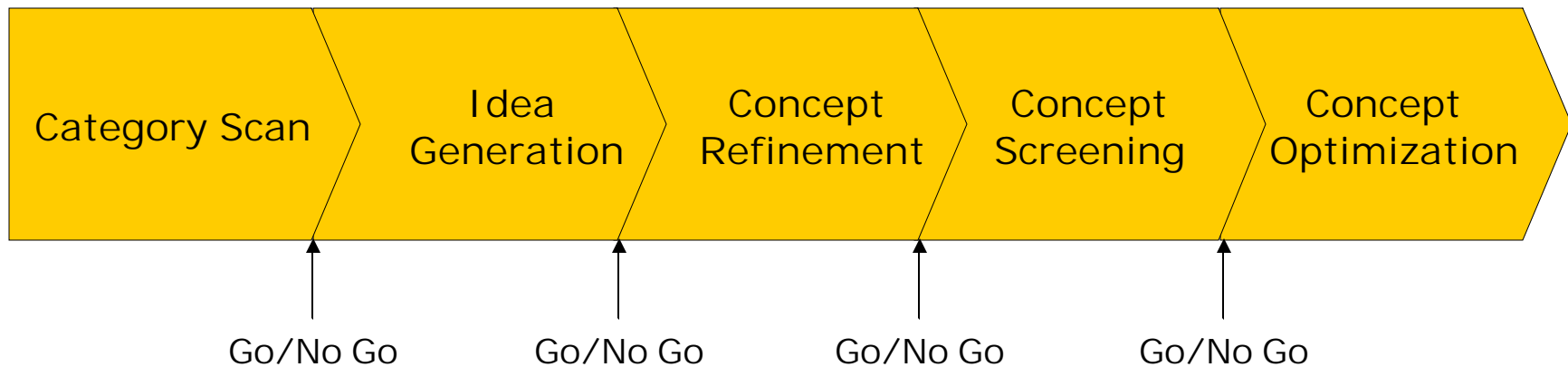
# That's Where We Come In

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- Management now had to determine which category to go with
  - Alignment with the NPD strategy
  - Growth potential
- CM&B was called in to help, and we then embarked on a multi-phased research plan that had the following objectives:
  - Develop a stronger understanding of the three candidate categories in terms of attitudes and usage
  - Determine which category offered the most promise
  - Brainstorm and refine a number of new product concepts centered on the selected category
  - Test those concepts quantitatively to identify the one concept that offers the greatest promise in terms of purchase intent and likely repeat
  - Optimize that one concept in terms of its features and benefits to maximize its likelihood of success

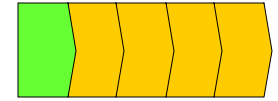
# Overall Research Approach

- Our research plan encompassed 5 key phases conducted over a 6-month period



- The approach used both qualitative and quantitative research techniques
- Go/no go decisions were built into every phase to give the client the ability to commit to the research gradually and on the basis of the findings
- Client ended up going the distance

# Category Scan Overview



## Objectives

- Develop a greater understanding of the three opportunity categories
- Determine which one offered the most promise

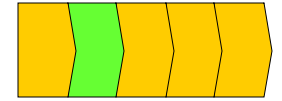
## Approach

- Literature searches
- One-on-one interviews with category and “baby boomer” experts
- Quantitative survey among category users to explore attitudes and usage

## Findings

- Anti-aging skincare won
  - Huge market with higher growth potential and greater openness to try new products than other categories
  - Higher price points than other categories
  - Natural extension from existing business as well as into related products
- Some key customer insights emerged:
  - Most have a daily regimen
  - Lots of frustration about the number of steps/products required
  - Dubious about claims
  - Lots of unmet needs

# Idea Generation Overview



## Objectives

- Brainstorm new product concepts in the anti-aging skincare category

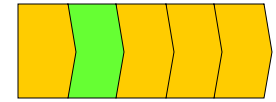
## Approach

- CM&B moderated an offsite brainstorming meeting
  - Phase One results presented
- Attendees included cross-functional client team members as well as outside category and business experts

## Results

- Team came up with over 80 new product concepts in one day that were whittled down to 8 based on the group's opinion of the concepts':
  - Appeal/believability
  - Strength of selling point/benefits delivered
  - Ability to deliver claimed benefits
  - Likely buyer and its consistency with client's desired target
- Most of the concepts centered around skincare "systems" that dovetailed nicely with continuity model
- "Positioning statements" were written for the 8 best concepts

# Preparing an Idea for Refinement Using a Positioning Statement



- Positioning statements force you to clarify all the core aspects of a concept
- Use them to develop test visuals for further concept refinement

- Positioning Statement for FedEx -

For...	deadline dependent executives [customer target segment]
FEDEX is...	the overnight package delivery service [product description]
that...	is the fastest and most reliable way to be sure that your package will be delivered on time [point of difference]
because...	of its sophisticated tracking system [justification]

## “Faces” Mock Concept Test Visual

ILLUSTRATIVE



A skin care system specially formulated for women with blonde hair, brown hair and grey hair

As your hair changes color, your skin has different needs to look good. Yet most skin care products are only made for one hair color. Now you can get the first set of skin care products specially formulated using the known properties of your skin based on your hair color. Our skin care experts have spent years researching the right combination of ingredients for your needs.

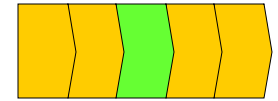
Each hair color-specific kit contains:

- A moisturizer
- A hand cream
- A lip balm

Each kit contains an X-month supply for \$X.99

Whether you have blonde, brown or grey hair, treat your skin based on its own personal needs.

# Concept Refinement Overview



## Objectives

- Gain initial consumer feedback on tested concepts from target consumers
- Refine/eliminate concepts based on feedback

## Approach

- A test visual was created for each of the 8 brainstormed concepts
- We then conducted 4 focus groups among the target market
  - 2 groups among existing customers
  - 2 groups among outside prospects
- Participants reviewed all 8 concepts and provided feedback on overall appeal, likes/dislikes as well as purchase interest/intent

## Findings

- The majority of concepts generated limited appeal among participants, though 6 of the 8 warranted additional refinement
- However, two concepts emerged that appeared to offer more potential than the rest in terms of overall appeal and intent to purchase
  - Faces
  - Science
  - Both concepts delivered on aspects of the key insights discovered during the Category Scan

# Concept Screening Overview



## Objectives

- Determine quantitatively which one concept offers the greatest potential in terms of believability, appeal, value, utility and intent to purchase
- Generate a rough sizing of the number of prospects for the concept

## Approach

- Phone/mail/phone among the target market
  - Initial phone screen and recruit
  - Packets with all 6 concept visuals mailed to the recruits
  - A 30-minute quantitative phone interview where respondents rated all 6 concepts

## Findings

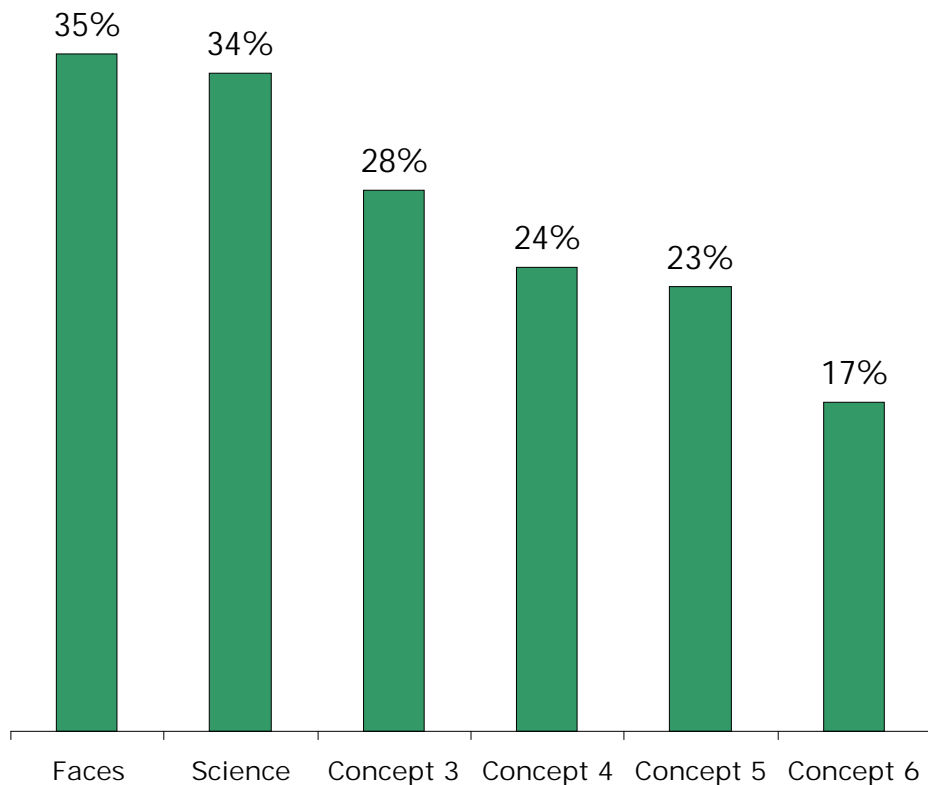
- Results from this phase were similar to the qualitative phase, as both Faces and Science outdistanced the other concepts
- Faces won out due to better diagnostic ratings and higher purchase preference, though aspects of Science were particularly appealing
- However, Faces was still not a “home run” based on normative comparisons

# Purchase Metrics

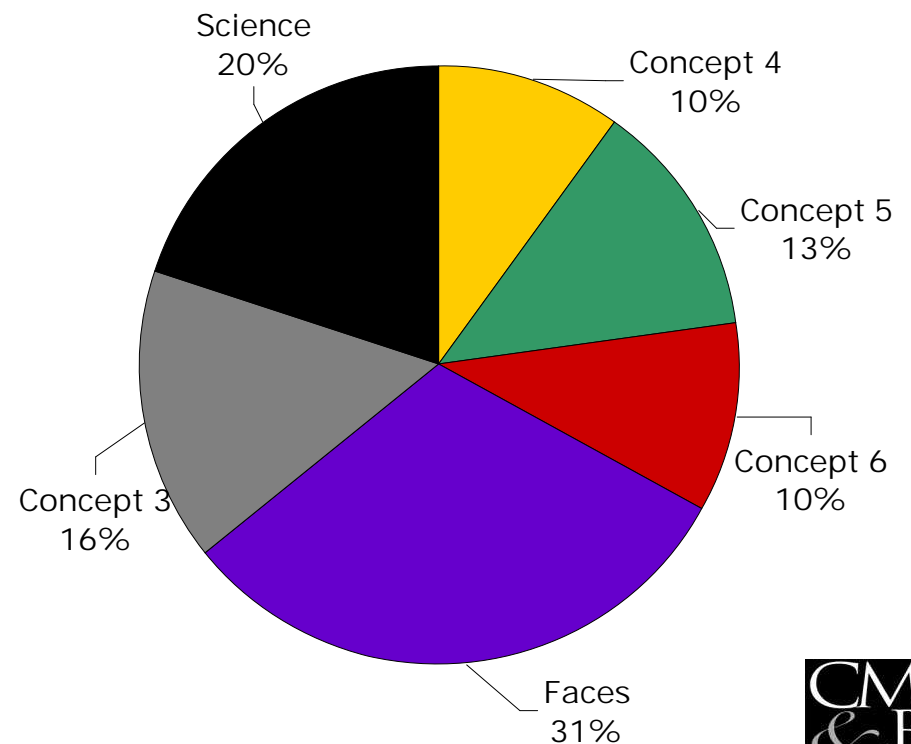


- The Faces and Science concepts outperformed all other concepts on a trial basis
  - But, no discrimination could be seen between the Faces and Science concepts
- However, when forced to choose one concept to purchase, respondents selected Faces by a wide margin over Science

- Awareness to Trial -



- Share of Purchase Preference –  
Concept Tradeoff

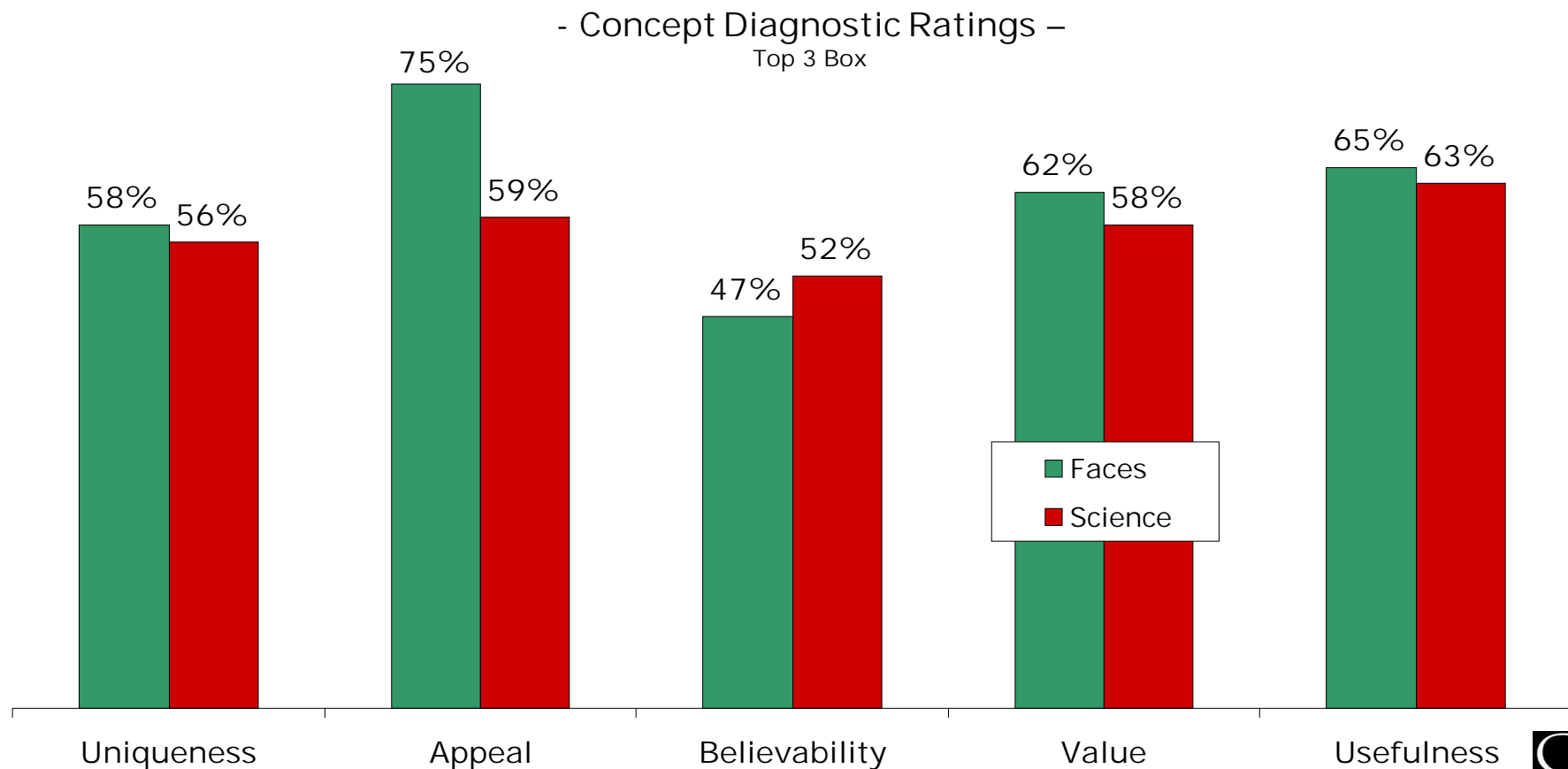


Awareness to trial reflects trial among those who are aware of the product  
Raw trial is "adjusted" down to more accurately reflect actual trial

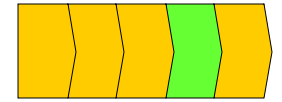
# Concept Diagnostics



- The preference advantage for Faces was driven by a higher level of appeal
- However, believability is a key challenge

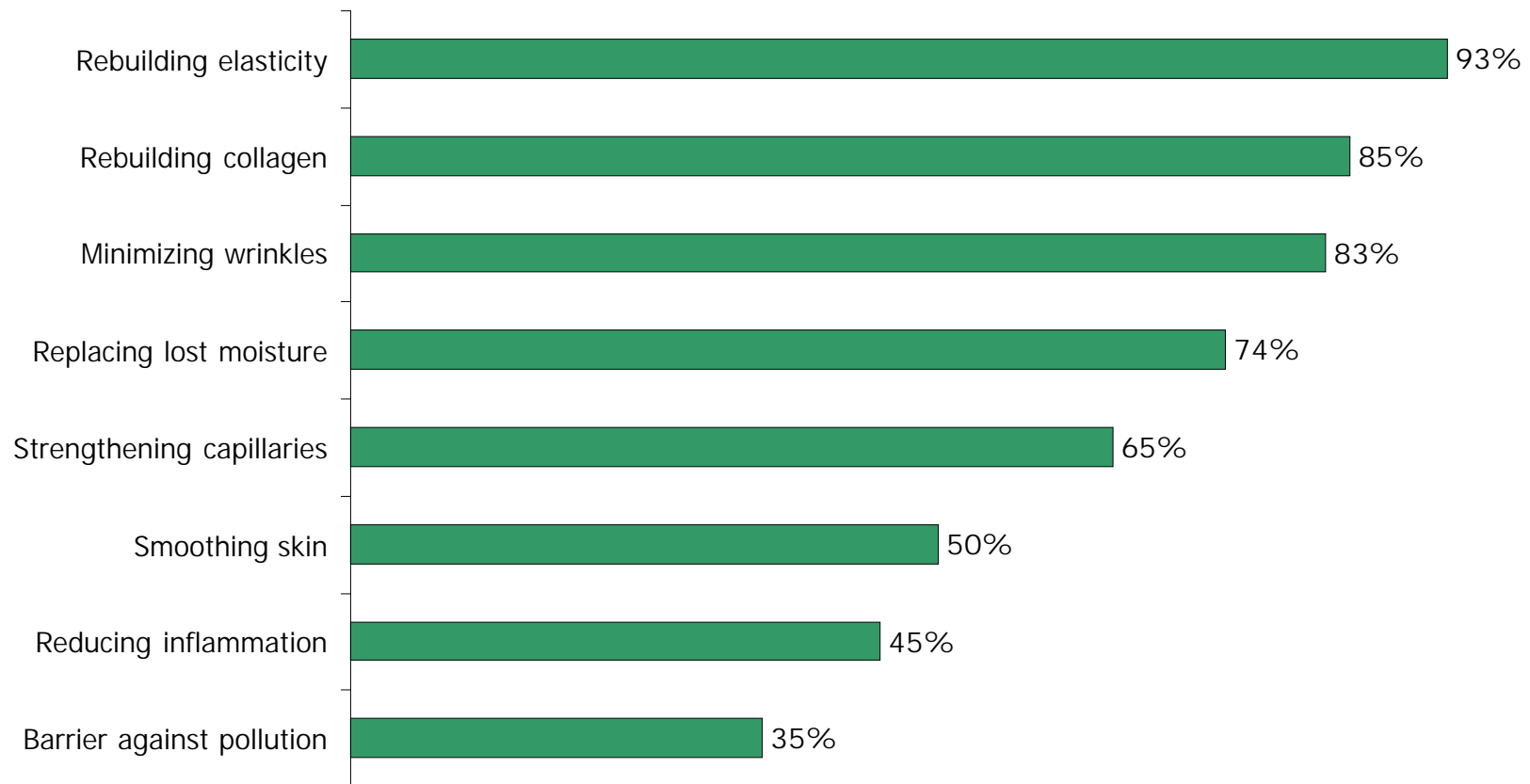


# What Benefits Are Faces Concept Acceptors Most Interested In?

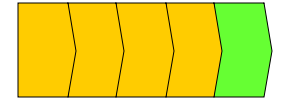


- A key part of the analysis is to profile likely acceptors of the concept to give guidance to key marketing decisions, such as which benefits to tout
- The most appealing benefits among Faces Acceptors in the general population centered around rebuilding elasticity and collagen

- Importance of Features and Benefits -  
Top 3 Box Among Concept Acceptors



# Concept Optimization Overview



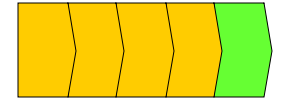
## Objectives

- Determine the “optimal” configuration of the Faces concept in terms of:
  - Position
  - Package type
  - Formulation
  - Product name
  - Price
  - Shipment size
  - Introductory Offer
- Estimate trial potential for the optimal product in terms of likelihood to purchase
- Provide diagnostic direction on product features and benefits

## Approach

- Conjoint analysis via phone/mail/phone

# What is Conjoint Analysis?

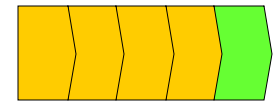


- Marketers have a myriad of choices – conjoint identifies the combination of product features that best maximizes purchase intent
- It does this by estimating the value people place on the attributes or features that define a product
- Conjoint analysis is perfect for answering questions such as:
  - "Which should we do, change the formulation, or lower the price?"
  - "Which market positioning will have the greatest impact on trial?"
  - "Which of these possible product configurations appear to maximize trial?"
- Armed with this knowledge, marketers can build a product that incorporates those features most likely to strike a chord with target buyers

## - Illustrative Conjoint Design -

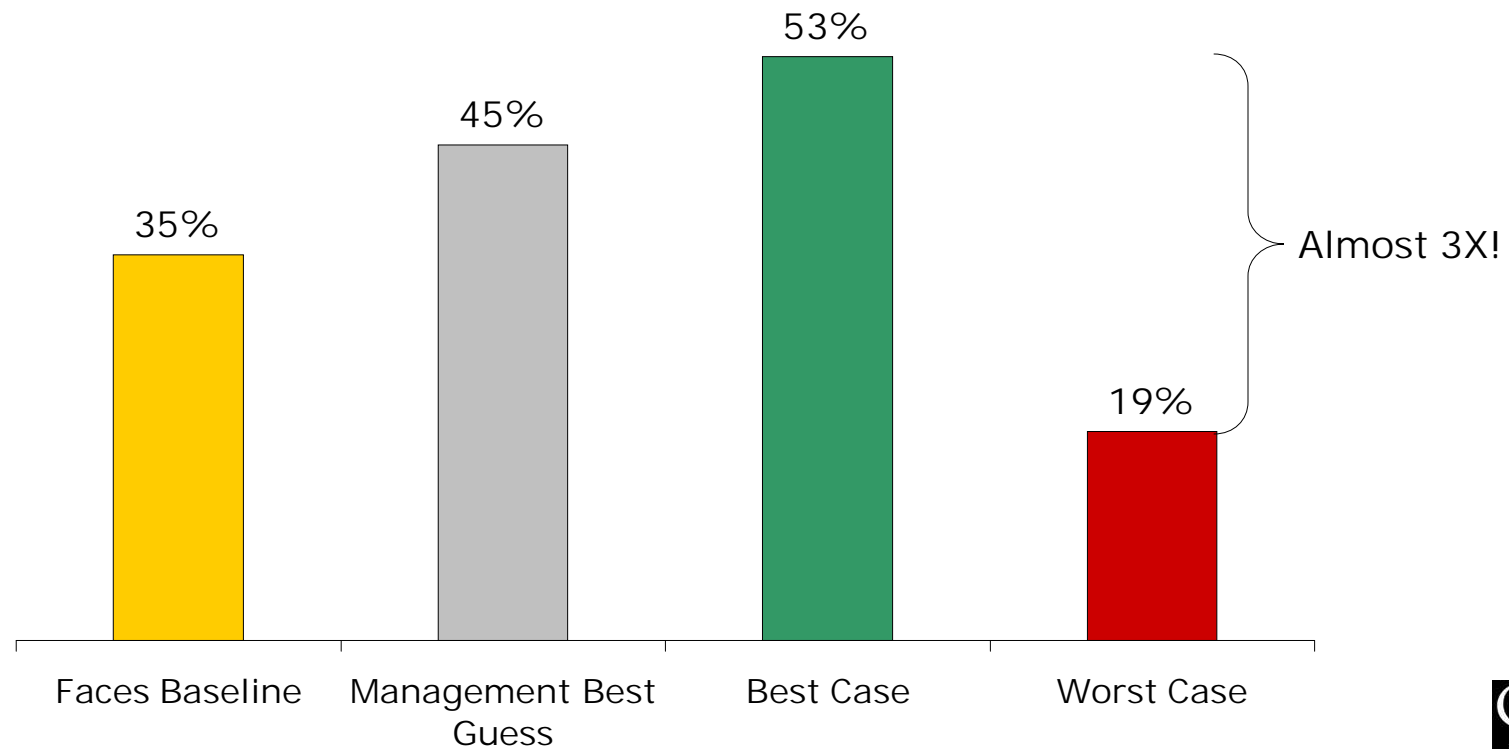
3	x	4	x	5	x	5	x	3	x	3	x	6
positions		package types		formulations		offers		price levels		shipment sizes		product names
=												
16,200 possible product combinations!												

# How Widely Does Trial Vary Across the Scenarios?

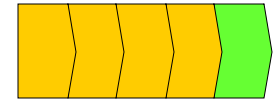


- The conjoint analysis delineated between a hit product and a flop
- It even improved on what management would have done in the absence of research

- Faces Trial Variation Across Scenarios -  
Awareness to Trial

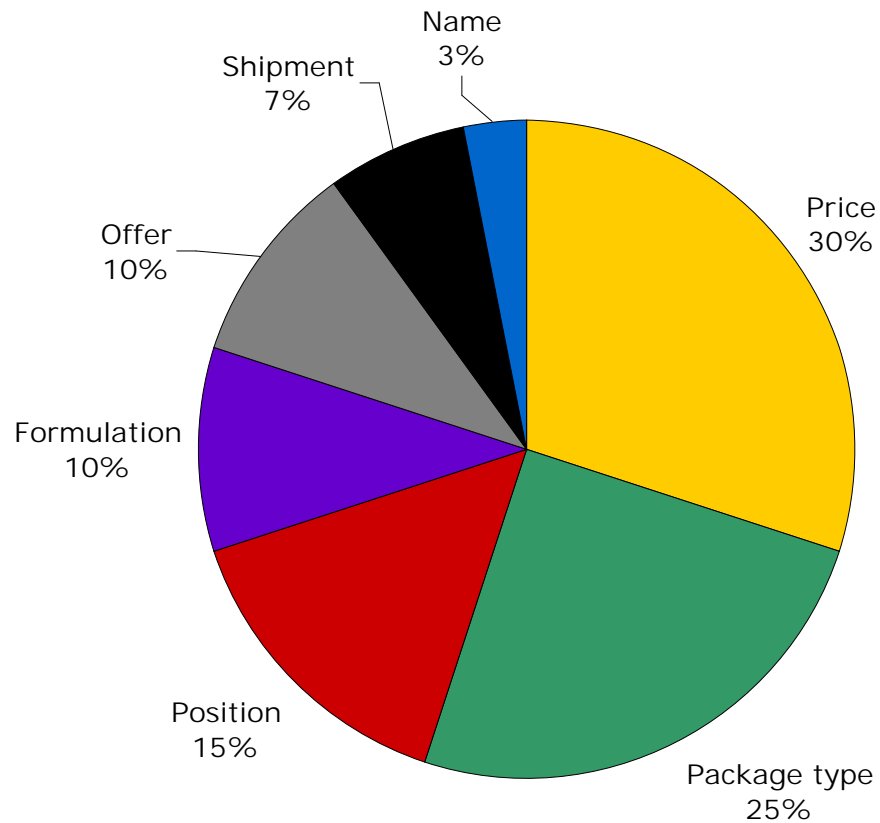


# What Impact Does Each Factor Have on Trial?

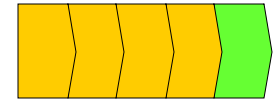


- Price is the clearly the most important driver of trial
- However, package type and positioning also are significant
- Name and shipment have little impact on trial overall

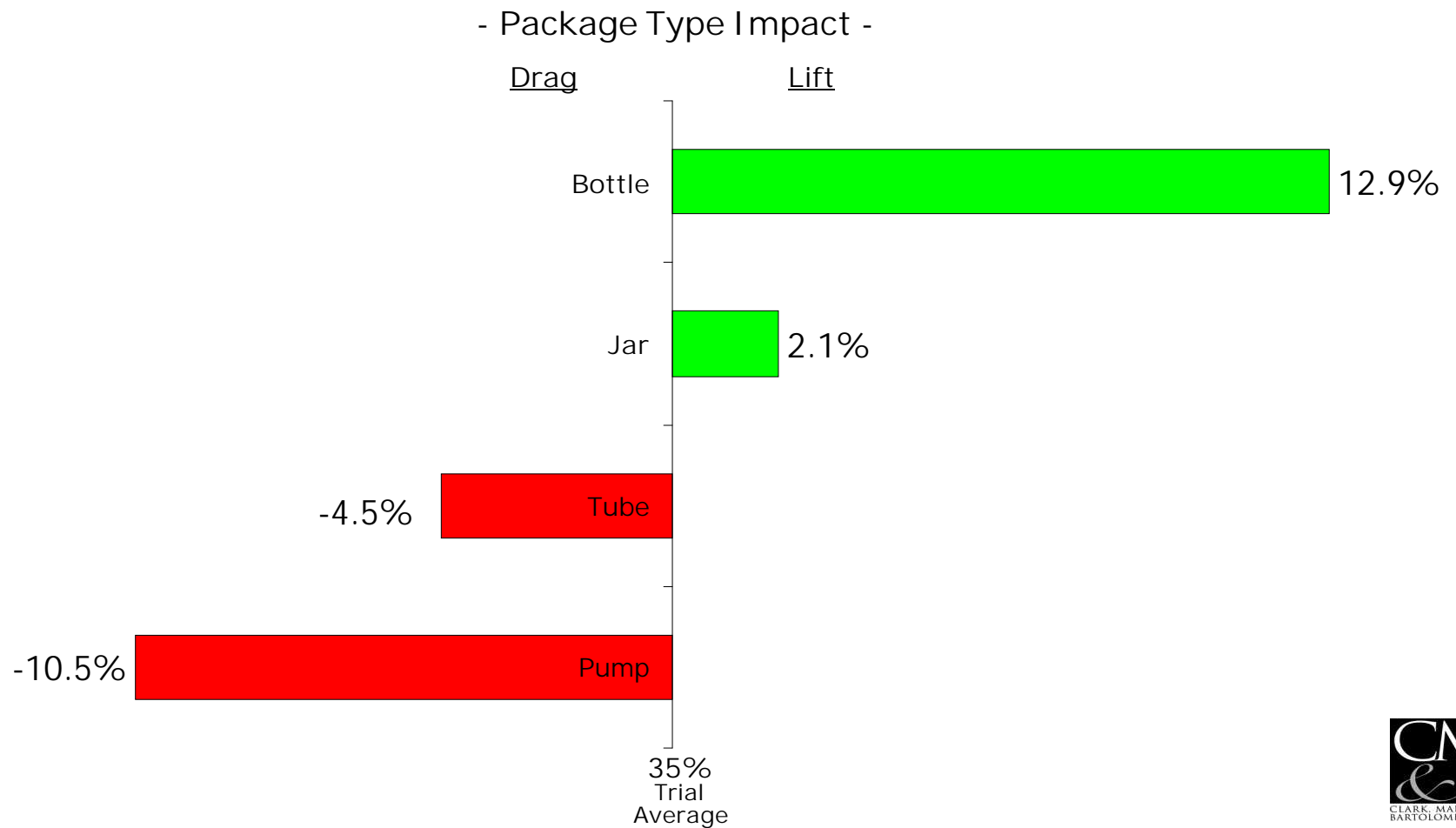
- Impact of Factor on Trial -  
Percent of Variance Explained



# Package Types Have a Solid Impact on Trial



- The bottle was clearly preferred among respondents
- However, the pump had a strong negative impact on trial



% Change in Adjusted Awareness to Trial

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# Results So Far

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- Client's initial launch was an anti-aging moisturizer in early 2006
- Product has far exceeded management's revenue growth and contribution goals
- It has also attracted new and younger customers to the franchise
- The rapid success of the initial product has already led to the launch of several line extensions for the brand
  - Eye wrinkle stick
  - Facial cleanser
  - Microdermabrasion cloth

# Lessons for the Newspaper Industry

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- Companies with products that are less complex than media products and with fewer resources than newspaper companies embrace research to grow wisely and avoid mistakes
  - It saves them \$\$\$\$ in the long run!
  - While testing media concepts in a research environment is difficult, it is certainly very doable and is not a reason to forego research altogether
- Research helps puts the “eggs” in many baskets, which lowers your risk
  - Developing concepts in tandem lets you weigh them vs. each other
  - It prevents you from launching a product just for the sake of doing something
- Dedicate the resources and formalize the process
  - Start with ideation and concept screening to help shift away from “seat of the pants” new product development
- Give it time – to develop and to succeed in the marketplace