



Connecting Globally,
Inspiring Activation

How Innovations Drive Brand Growth

A Spotlight on Distinctive Innovations in the UK

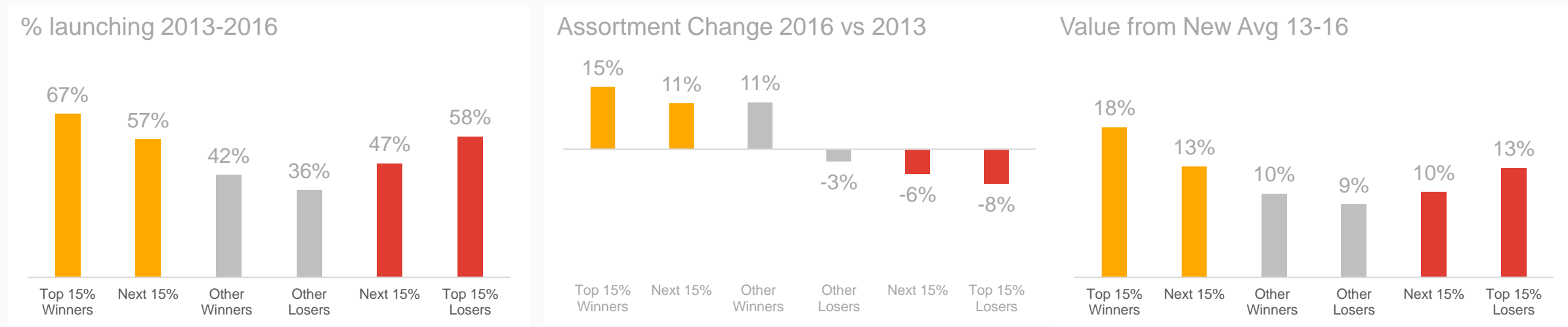
Aim and motivation

- **Innovations** are a **source of growth** – numerous studies report a positive link between high (low) launch activity and brand growth (decline)
- **Launching new products** has been linked to many brand relevant outcomes, with various studies highlighting their ability to increase **brand salience** (e.g. launches provide a reason to communicate), to strengthen **brand reputation** (e.g. dynamic vs. stagnant) or to establish stronger **arguments** towards **retail partners** for (more) shelf space and in-store support
- This report first looks at past findings highlighting the benefits of being innovative. It then examines the relationship between launch activity and share change for 1000s of brands across a large number of product categories in Western Europe to provide recent evidence about the link between brand innovation activity and growth. Page 3-6
- An important discussion centers around the **newness of product introductions** – and whether higher levels of newness are necessary or sufficient for disproportionate launch success
- In FMCG the **newness** of most launches is **modest** – they tend to be similar to existing offerings
- A focus of this report is to identify and track the success of **distinctive innovations** (innovations that boast a high level of newness) in the UK launched between 2019 and 2021 Page 7-34

Throughout this report a launch is defined as any new SKU with an availability of 8 weeks or more (to remove short-term promotional offers). A specific launch could be available in only one retailer (the norm for Private Labels), but also in multiple retailers. Either way, it counts as **one** launch only.

Winning brands add to their assortment – and what they add makes an impact

We examine differences between the most winning and the most losing brands (in terms of absolute share change)



Winners are slightly more likely to launch new products than losers...

... but share growth goes hand in hand with growing your assortment; i.e. being able to launch products which do not only replace existing ones, but are incremental

... and which meet market expectations: Winners get more of their sales from new products than losers.

“Old“ Learnings about Innovations

1

Innovation also matters in recessions

What discriminates winning and losing brands between 2008 to 2011

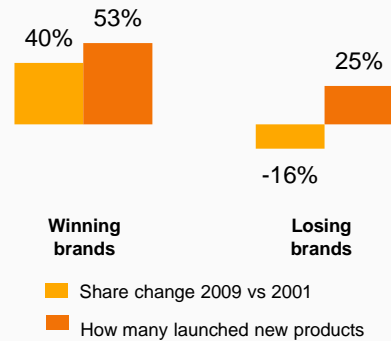
- 60% more innovations
- 60% more renovations
- Innovations 68% larger share of brand volume
- Renovations 47% larger share of brand volume

SOURCE: BG20 8 Western European countries 2008-11

2

Innovation activity strongly linked to brand growth

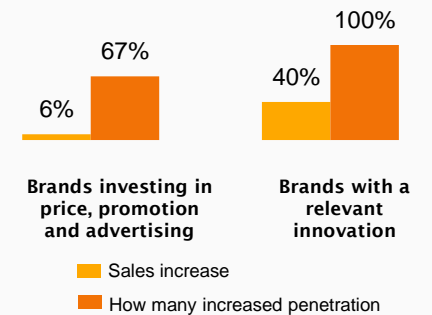
What discriminates winning and losing brands in Germany between 2001 and 2009



3

Innovation activity more effective than other marketing mix measures

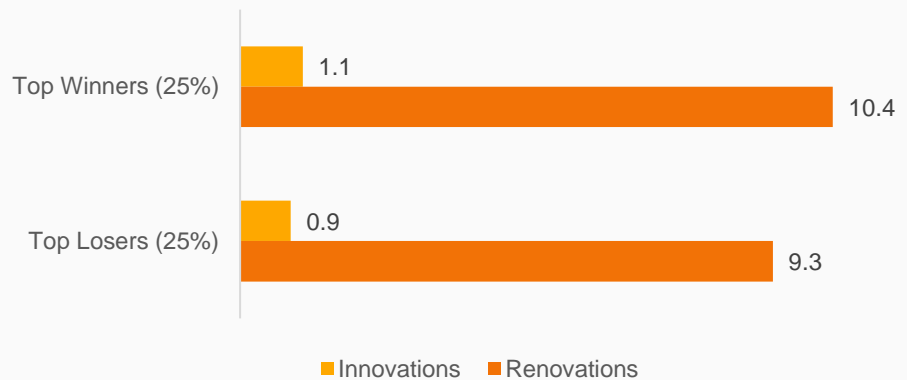
What discriminates winning and losing brands in Spain between 2009 and 2012



Still true today: Winners launch more and get more from these launches

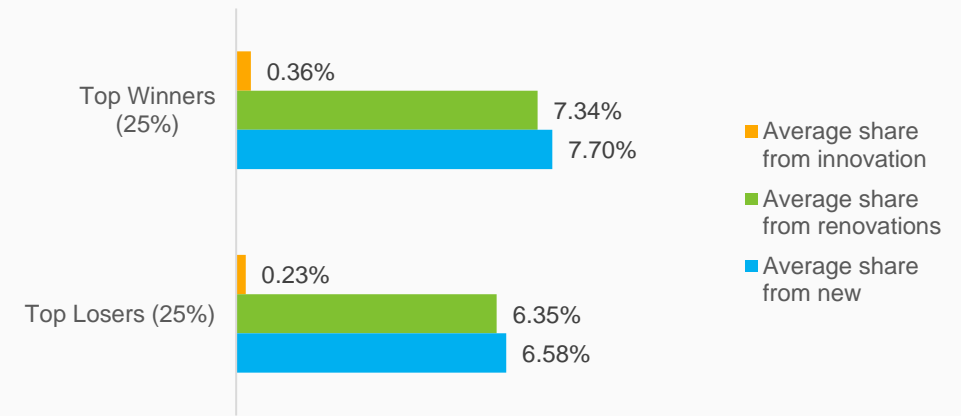
This analysis distinguishes between *minor* renovations and *major* innovations – the latter applies to launches for which a new sub-brand was introduced. Based on their market share trajectories between 2018 and 2021 this analysis compares the top 25% winning (average share gain: 2.2% over three years) and top 25% losing brands (average share loss: 2.6% over three years) across Europe.

Number of Innovations and Renovations in past three years



The average brand in the most successful quartile (in terms of share gains) was more active with respect to the number of innovations and renovations launched over three years than the least successful quartile.

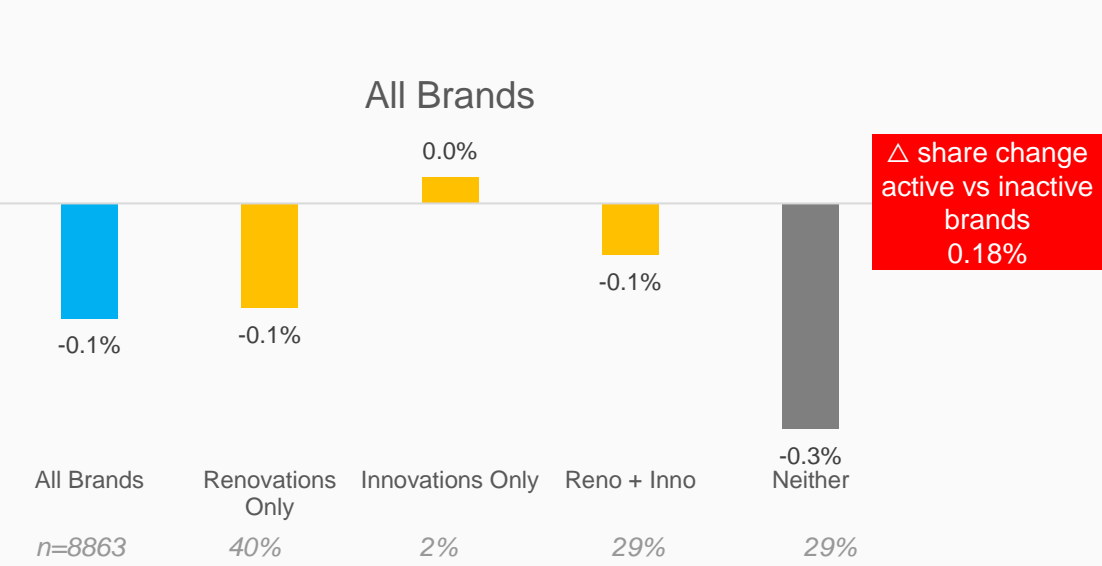
Sales Contribution of New Products (in % per year)



The average brand in the most successful quartile (in terms of share gains) was more successful in getting sales from these new launches (average share of revenues from SKUs that are less than one year old).

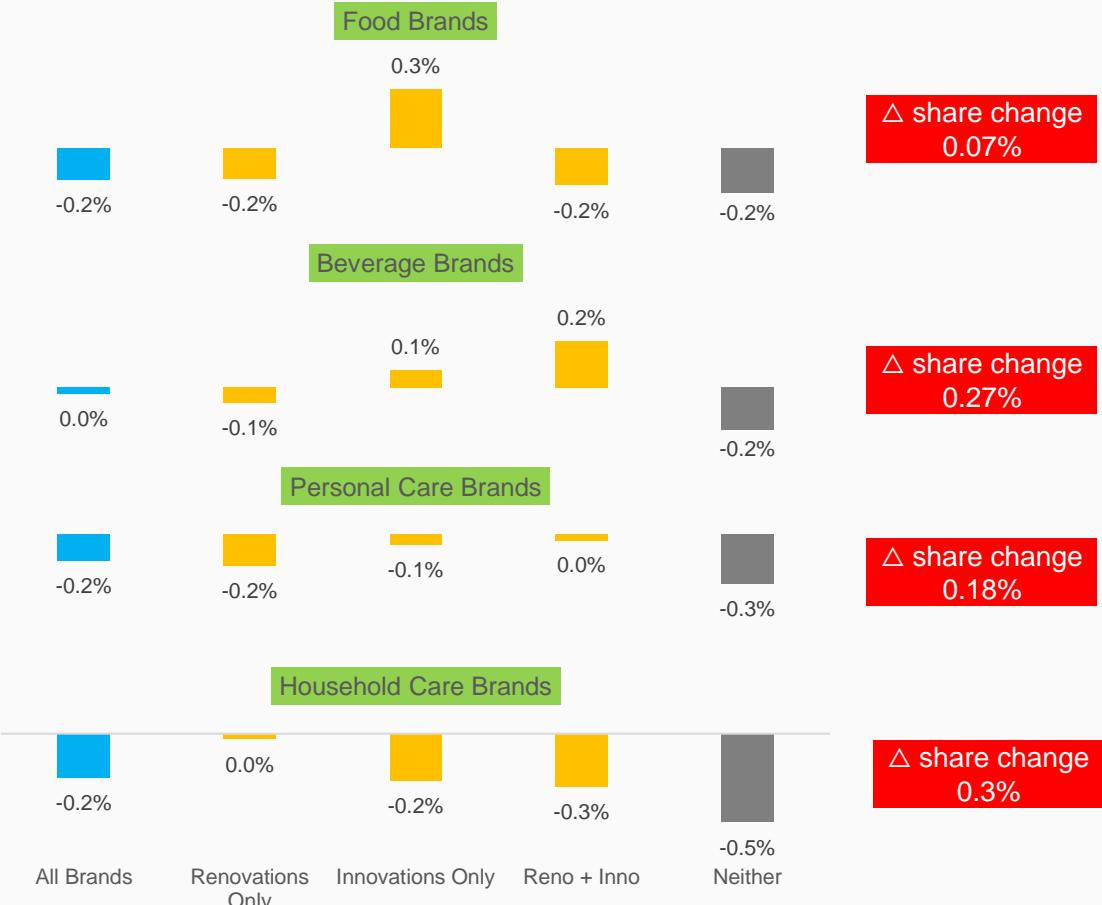
Launch activity changes the odds of winning

This analysis distinguishes between *minor* renovations and *major* innovations – the latter applies to launches for which a new sub-brand was introduced. We find that engaging in either or both types of new product activity does lead to much higher growth than not launching any new products, irrespective of category type.



The average top ten brand in Europe lost 0.14% share between 2018 and 2021. That loss was much bigger for brands that did not launch any new products in that period (3 in ten brands). Brands that launched innovations performed best.

In all types of categories (right hand-side) the launching brands (yellow bars) clearly outperform the non-launching brands (grey bar)



What we want to understand about distinctive innovations (and benchmark against "everyday" innovations)

- (1) % which are branded vs Private Label
- (2) categories and brand size tiers where they show up
- (3) price vs average price in the category
- (4) cumulative penetration (reach among category buyers)
1/2/3/... quarters after launch
- (5) % survival rate after 1 and 2 years
- (6) availability in leading retailers
- (7) incrementality: % of buyers that are new to the brand
(i.e. non-buyers in the previous year)

Key Questions to be answered

- Are distinctive innovations more likely to come from Brands than Private Labels ?
- How does the performance of distinctive launches stack up against the performance of the "everyday" launch?

The scope: All* new offerings identified in the UK in 2019-2021

Drop in the # of launches from 2018 to 2019, 2020 stable, decline again in 2021

2017:	7793
2018:	8274
2019:	6244
2020:	6611
2021:	5557

- A new EAN, even a new brand or sub-brand, is not a sufficient indication of a distinctive innovation
- We use a combination of automated rules (text-based) to arrive at a short-list of all launches (for example, a sub-brand, product description, ingredient or size that has never been used in this category)
- We manually (and by two persons) examine this list and identify "distinctive" launches.

* Our scope is a basket of 89 categories covering food, beverage, household care, personal care and petfood products – the data is sourced from Europanel's BG20 initiative, a global research initiative to uncover the success of brands in the FMCG market

Finding Distinctive Launches: *Closest Match (CM)* Logic

The name of a launch provides an indication of newness

Our most important piece of information is the name of the launch.

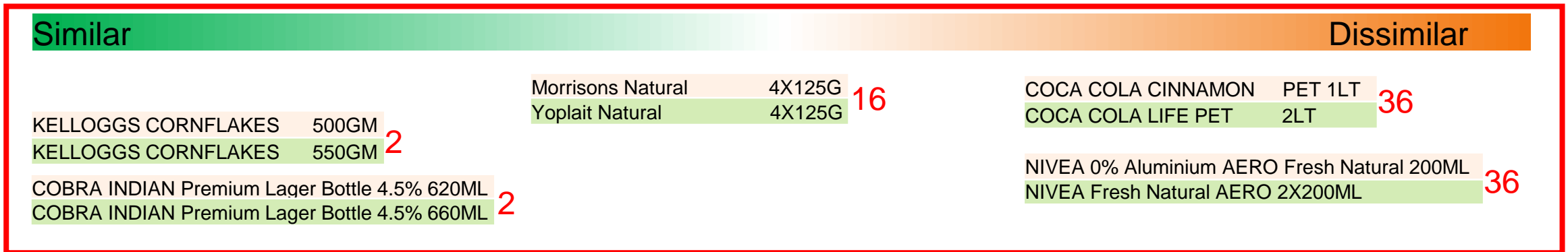
Assumption: An innovation that a supplier considers to be "really new " is likely to signal its newness via a name that is unique – whereas a launch that simply boasts a new flavour may want to be closely linked to the existing range of the brand.

We compare the name of the launch to its "closest match" – that is, we scan **the category** for the product name that is most similar and evaluate the degree of similarity via the closest match score.

This score ranges from a low of 1 to a high of 49 in 2019. For example

*Distribution 2019
Closest Match Scores*

From	to	#
0	5	1118
6	10	1517
11	15	992
16	20	983
21	25	702
26	30	476
31	35	277
36	40	125
41	45	47
46	50	7



Note: a high score does not necessarily signal newness. It could just be a new brand launching a product with an unusual name (Snappichappi Insect Repellent).

Filtering Process: A Multi-Step Approach

The Logic

- All launches with a CM score below 30 which do not feature a new sub-brand were skimmed over.
- All launches with a CM score below 30 that do feature a new sub-brand were closely examined by one person.
(more innovative launches often signal their newness via a new sub-brand)
- “Manual” inspection by two persons for all remaining launches (CM>30).
- What we examine (see right column)
 - Unusual ingredients
 - Unusual flavours
 - Unusual benefits
- Plus a manual check versus full product list whether this is the “first of its kind in the category”

Our Rules

- A **new flavour combination** (e.g. elderberry and apple) is **not sufficient** if either flavour has been around before.
- Also in categories where introducing new flavours is the norm and happens in heaps (crisps, yoghurt, juice) **new flavours were not sufficient** (e.g. Colombian Highland Chili Crisps).
- A **new flavour** which is **atypical** for the category is considered a “distinctive” innovation (e.g. toffee beer, cola cinnamon but not cola cherry as it has been around forever)
- A **new ingredient** is sufficient if new to the category (Electrolytes in Water, Proteins in choc spread)
- Two or more similar launches from the same brand that qualify are all coded as “distinctive” if launched within one month.

Filtering Process: Examples



Nespresso *Kazaar*



Stormtrooper Galactic Pale Ale (500ml)



Kettle Hand Cooked Potato Chips **Feta & Olive Tapenade** **Gluten Free** (150g)



Black Sheep **Pineapple Milkshake** IPA (330ml)

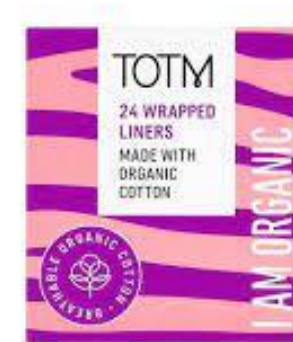
Greene King Abbot Rich & Malty Premium Ale 4x500ml
1 Unit



Rich&Malty Ale



Walkers Pigs In Blankets Flavour Potato Crisps (75g)



Totm Made With **Organic Cotton**



More examples of distinctive innovations



Healthyco **Proteinella**
Smooth Hazelnut & Cocoa
Spread (400g)



Birds Eye Chunky Croquettes
6 **Cod & Chorizo** In Cracked
Black Pepper (288g)



ALDI **ARGAN OIL** Toilet Paper



Actiph **Alkaline**
Ionised Water
(600ML)

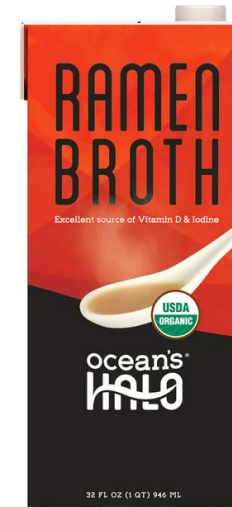


Kellogg's **Coco Pops White**
Chocolate 30% Less Sugar
(480g)



Diet Coke **Twisted**
Strawberry (1.25l)

Fallen Brewery Chew
Chew **Salted Caramel**
Milk Stout (330ml)



Oceans Halo Organic
Gluten Free Ramen Broth
(946ml)

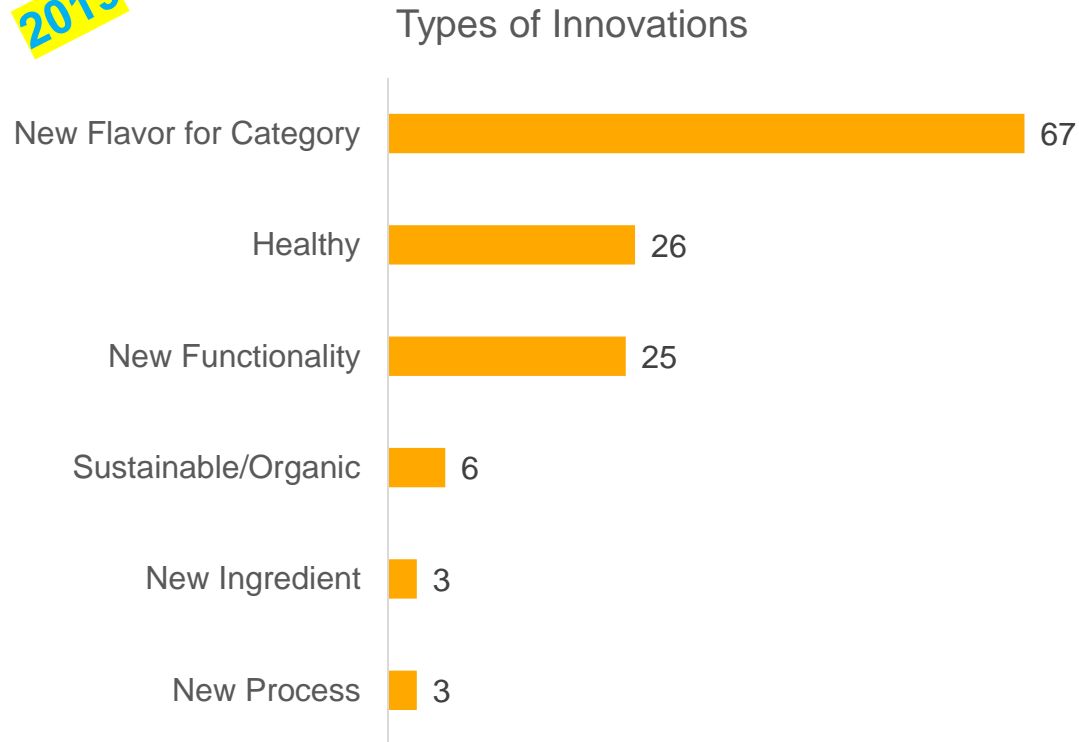


Walkers **Hint Of Salt** Olive Oil &
Herb Flavour (6X25g)

Types of distinctive Launches

Mostly new flavors, with health and new functionality also prominent

2019

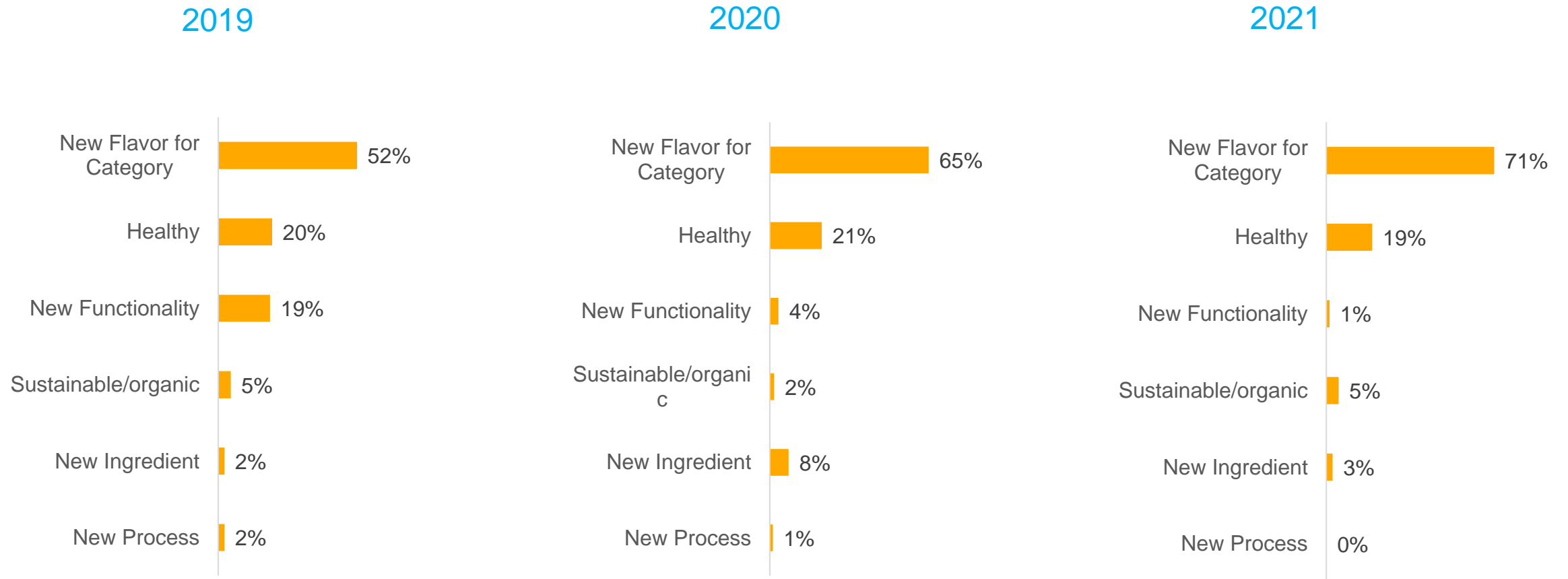


Description

- feature a flavor which is unusual for the category (toffee in beer, raspberry in cola, wine in instant coffee)
- typically less sugar or salt, or added functional (health-focused) ingredients
- change the benefits derived from using the product: more thickness in drinking chocolate, more flexible femcare material, cleaner for a new surface or a better toothcare experience
- more sustainable sourcing
- similar to new flavor, but the focus is not taste (e.g. buttermilk, hummus)
- relates to production/consumption process (steamed tea leaves, speed of preparation)

Types of distinctive Launches over time

Show in %



The number of distinctive launches declines

Both in absolute numbers and as a percentage of all launches

2019

130 distinctive innovations
2.1% of all launches

2020

168 distinctive innovations
2.5% of all launches

2021

77 distinctive innovations
1.4% of all launches

While we can only speculate why we see a drop between 2020 and 2021 we believe that many manufacturers were busy to keep their operations up and running between 2020 and 2022, potentially focusing less on launching new products, not just distinctive ones, or postponing their launch

Anecdotal evidence also highlights possible demand-side reasons: Many retailers were focusing on product availability and keeping operations as simple as possible given disruptions by lockdowns and substantial supply shortages

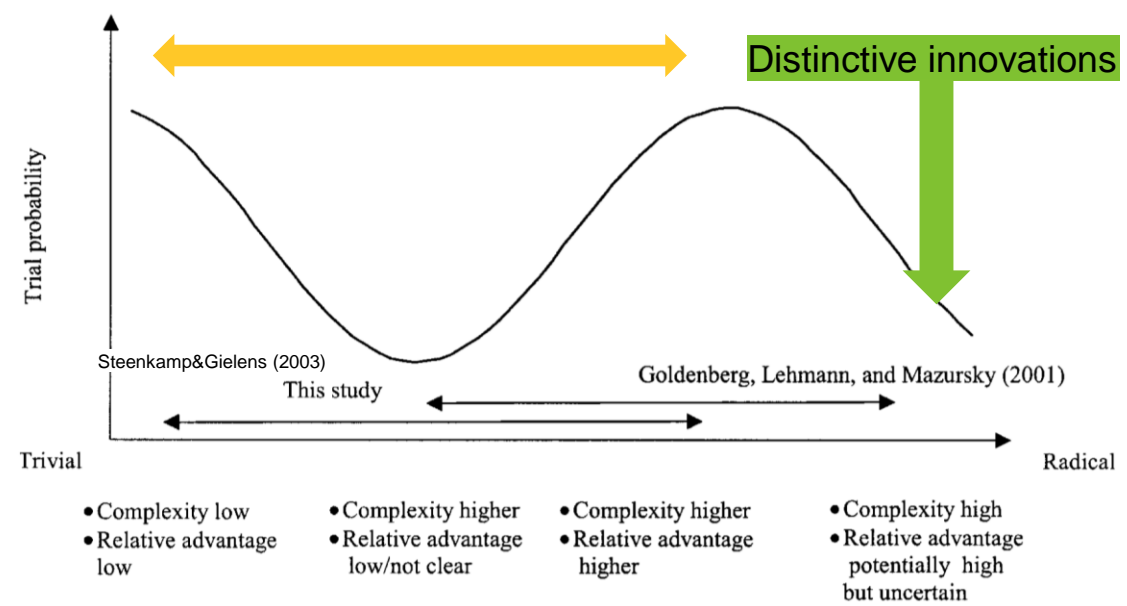
Key Learnings

- A distinctive innovation is any launch that provides the category with a unique (i.e. not yet available and “surprising”) benefit. Out of 18,167 new products from 2019 to 2021 only 375 (2.1%) qualify as distinctive innovations.
- These launches are usually sold at a premium price, and mostly origin from brands (84% vs 58% for everyday launches).
- The brands launching distinctive innovations are more premium than the average offering in the category.
- Distinctive innovations create clout: Initially, they achieve strong retailer presence and fare similarly or even better than launches that pose less risk (i.e. new flavours, sizes of established offerings).
- However, their initial success does not sustain: Performance fades more quickly on all measures (sales, share, reach) and after one year availability is the same as for the average launch (i.e. retailers more likely to drop them).
- Survival rates are comparable with other launches.
- Distinctive launches are likely to add to an assortment rather than substitute. These higher expectations, if not met, may result in quicker delistings than for new products which replace existing SKUs.
- A study examining the newness-performance link in FMCG (Steenkamp & Gielens) showed that launches with limited and major newness outperform average newness. However, another study (Goldenberg et al.) showed that radical innovations have a tough time to achieve trial – one could argue that distinctive innovations are comparable to the radical tier in that study.

Steenkamp&Gielens study shows that very and hardly innovative launches in FMCG fare better

Very radical innovations (i.e. distinctive ones as in this study) may require more support/time

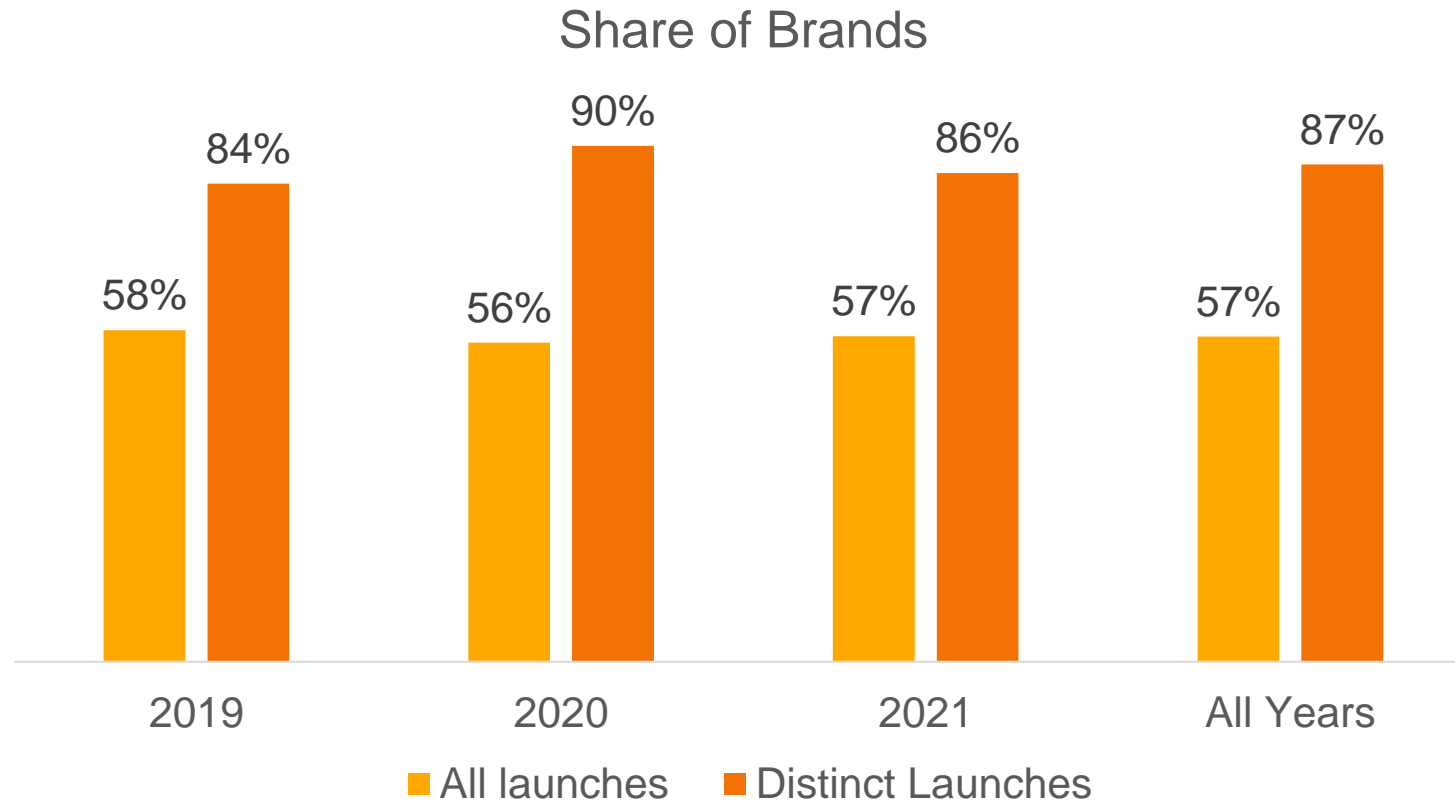
A REVISED RELATIONSHIP BETWEEN NOVELTY OF NEW PRODUCTS AND TRIAL PROBABILITY



Steenkamp, J. B. E., & Gielens, K. (2003). Consumer and market drivers of the trial probability of new consumer packaged goods. *Journal of Consumer Research*, 30(3), 368-384.

Results: Brands or Private Labels more distinctive?

Share of branded launches much higher among distinctive than everyday launches in each year



Who is launching?

Company	2019	2020	2021	Sum
Aldi	569	640	518	1727
Lidl	312	382	394	1088
Tesco	321	236	268	825
Unilever	279	278	264	821
Asda	365	256	135	756
Morrisons	221	284	227	732
Procter & Gamble Ltd	236	236	200	672
Iceland	179	246	219	644
J Sainsburys	239	211	159	609
Marks and Spencer	75	162	127	364
Nestle	122	116	112	350
Mars	129	103	112	344
Mondelez	106	93	101	300
Waitrose	66	83	62	211
C.W.S.	65	89	55	209
Colgate-Palmolive	43	56	81	180
Reckitt Benckiser	84	35	37	156
Farmfoods	57	59	31	147
B+M Bargains	7	88	49	144
Premier Foods	54	25	53	132
Beiersdorf	43	44	44	131
Walkers Snack Foods	28	58	45	131
T.J.Morris Ltd	34	57	37	128
Cussons	40	57	30	127
L Oreal Garnier	48	37	41	126
Coca-Cola	43	46	28	117
Alliance Unichem	36	37	35	108
Bayliss+Harding Ltd	27	47	31	105

- More than 1,000 different companies (including retailers) launched more than 18,000 new products from 2019 to 2021
- Retailers, not surprisingly given they play in many/all categories, launch the highest number of SKUs
- Eight of the Top 10 in terms of launch numbers are retailers: Aldi (#1), Lidl (#2), Tesco (#3), Asda (#5), Morrisons (#6), Iceland (#8) Sainsbury (#9), Marks&Spencer (#10)
- Amongst brand manufacturers, these are in the Top 15
 - Unilever (#4)
 - Procter & Gamble (#7)
 - Nestle (#11)
 - Mars (#12)
 - Mondelez (#13)

Most and least active launch categories

Launch numbers **higher** for **more frequently** purchased categories and for categories with **higher reach**.

Categories with **most** launches 2019

	# of launches	Freq	Reach
Yoghurt	354	29,5	90%
Sweet Biscuits	314	41,8	96%
Shower /Bath Additives	303	8,1	77%
Frozen Dinners/Entrees	262	11,5	68%
Frozen Meat Products	209	14,5	76%
Hard Cheese	198	20,6	96%
Cooking Sauces	186	18,0	90%
Breakfast Cereals	173	22,2	94%
Potato Crisps	167	17,9	89%
Household Cleaners	165	12,3	93%

∅ 20 ∅ 87%

Categories with **fewest** launches 2019

	# of launches	Freq	Reach
Butter	12	11,9	72%
Heavy Duty Washing Powder	12	2,9	28%
Canned Peas	6	6,8	42%
Olive Oil	6	2,6	43%
Shaving Foams / Soaps	6	2,3	28%
Cooking Fats and Oils - Solid	5	2,6	19%
Toilet Soap	5	2,7	31%
Lemonades	2	6,4	50%
Window Cleaners	2	1,4	14%
Tampons	1	3,3	13%

∅ 4,3 ∅ 34%

* Source: BG20 dataset covering 89 major FMCG categories

Most active categories: All launches

Some categories remain in the top 10 over three years

2019

Yoghurt	354
Sweet Biscuits	314
Shower and Bath Additives	303
Frozen Dinners and Entrees	262
Frozen Meat Products	209
Hard Cheese	198
Cooking Sauces	186
Breakfast Cereals	173
Potato Crisps	167
Household Cleaners	165

2020

Ice Cream	367
Frozen Meat Products	312
Sweet Biscuits	307
Shower and Bath Additives	261
Yoghurt	253
Household Cleaners	231
Liquid Soap	216
Beer	210
Cooking Sauces	209
Dry Dog Food	203

2021

Sweet Biscuits	285
Shower and Bath Additives	264
Cooking Sauces	233
Ice Cream	232
Frozen Meat Products	228
Yoghurt	202
Household Cleaners	199
Frozen Dinners and Entrees	178
Dry Dog Food	171
Beer	166

* Source: BG20 dataset covering 89 major FMCG categories.

Most active categories: Distinctive launches

Four categories remain in the top 13 over three years

2019

Spirits (Alcoholic)	11
Beer	9
Potato Crisps	8
Colas	8
Shower and Bath Additives	7
Breakfast Cereals	7
Instant Coffee	6
Wet Cat Food	6
Frozen Dinners and Entrees	4
Household Cleaners	4
Dentifrice and Toothpaste	4
Chocolate Tablets and Blocks	3
Frozen Pizza	3

2020

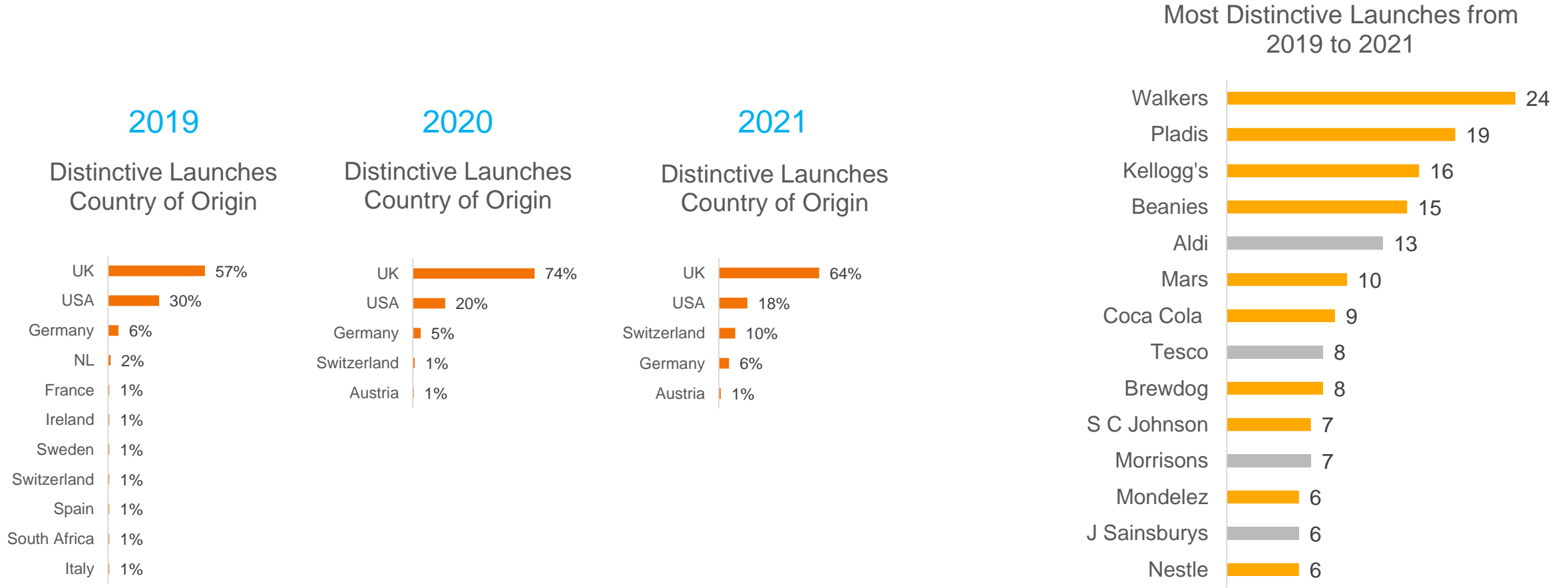
Potato Crisps	24
Beer	22
Sweet Biscuits	15
Breakfast Cereals	15
Candy Bars	12
Instant Coffee	10
Spirits (Alcoholic)	9
Yoghurt	7
Ice Cream	7
Other Flavored Carbonates	6
Chocolate Tablets and Blocks	5
Lavatory Cleaners	5
Cooking Sauces	4

2021

Ice Cream	10
Sweet Biscuits	9
Spirits (Alcoholic)	8
Beer	7
Other Flavored Carbonates	7
Breakfast Cereals	5
Tea	4
Instant Coffee	3
Yoghurt	2
Candy Bars	2
Dry Dog Food	2
Chocolate Tablets and Blocks	2
Bean and Ground Coffee	2

Distinctive Innovations: Where are they from and who launches them?

Majority from UK-based companies – Walkers, Kellogg’s, Beansies, Mars and Coca-Cola most active brand manufacturers



Shifts among the lower percentage countries must not be over-interpreted, the respective absolute number of launches is tiny (often 1).

Results: Pricing

Distinctive Innovations tend to be sold at relatively higher price versus the category – and are launched by more premium brands

PL launches are typically priced higher than what they charge across all of their respective PL offerings (launches more likely in more premium PL tiers?)

	Price Premium Launch versus Category			Price Premium Launch versus Parent Brand		
	2019	2020	2021	2019	2020	2021
Everyday NB	71%	68%	65%	23%	22%	22%
Everyday PL	38%	37%	39%	46%	40%	41%
Distinctive NB	93%	84%	82%	20%	18%	14%

The brands launching distinctive innovations are **very similar in terms of size and reach** to brands launching everyday innovations.

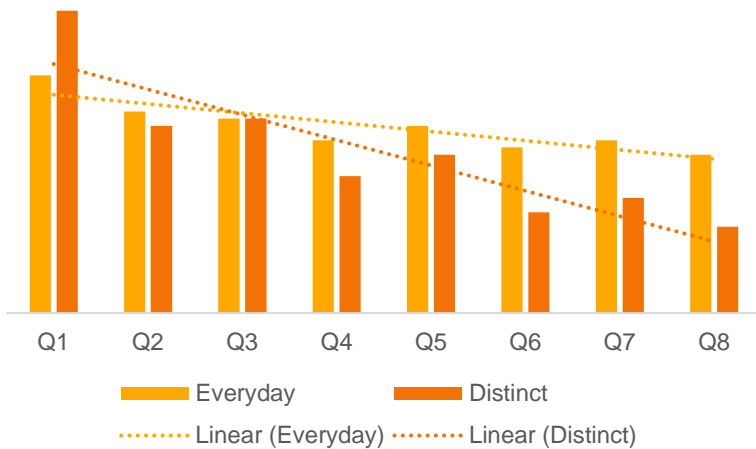
Why? Because they often are the same brands!

Results: Reach

Distinctive innovations start strong, but lose appeal rather quickly

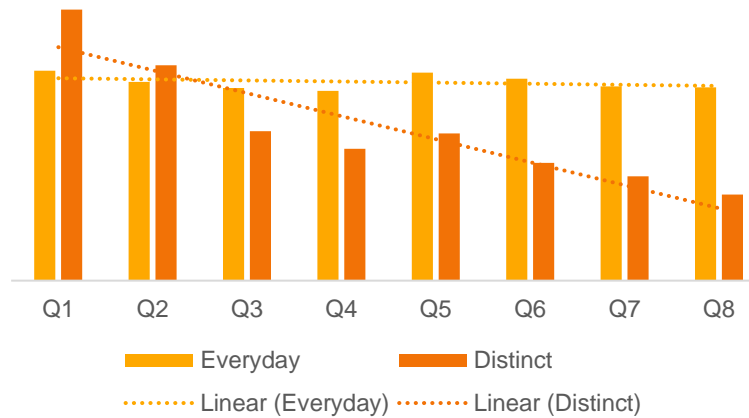
2019

Penetration Trajectory



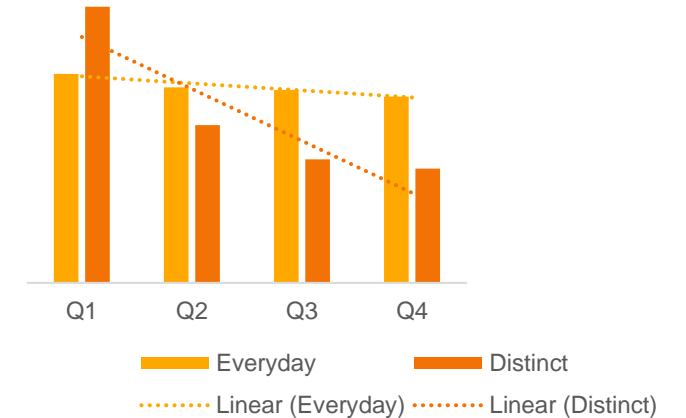
2020

Penetration Trajectory



2021

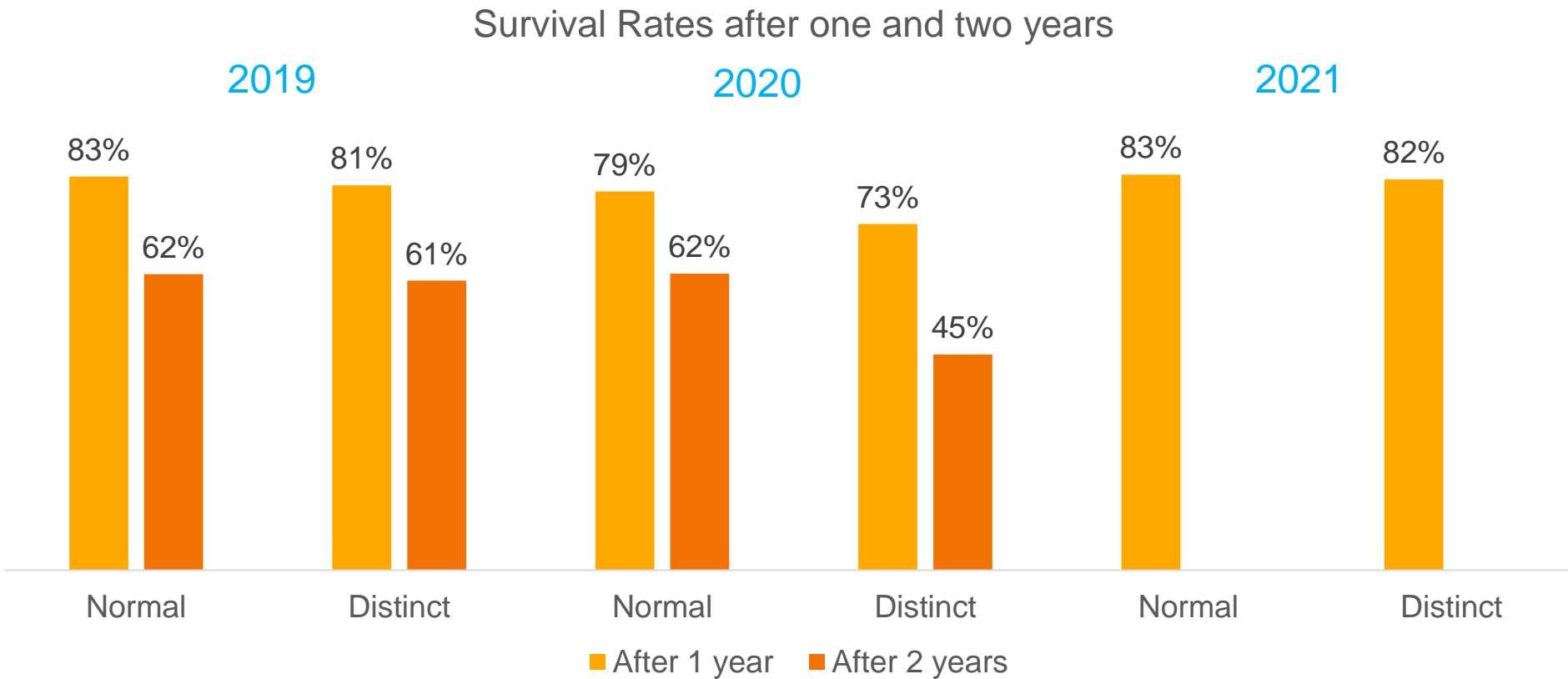
Penetration Trajectory



Averages only reflect the branded launches which are still available.
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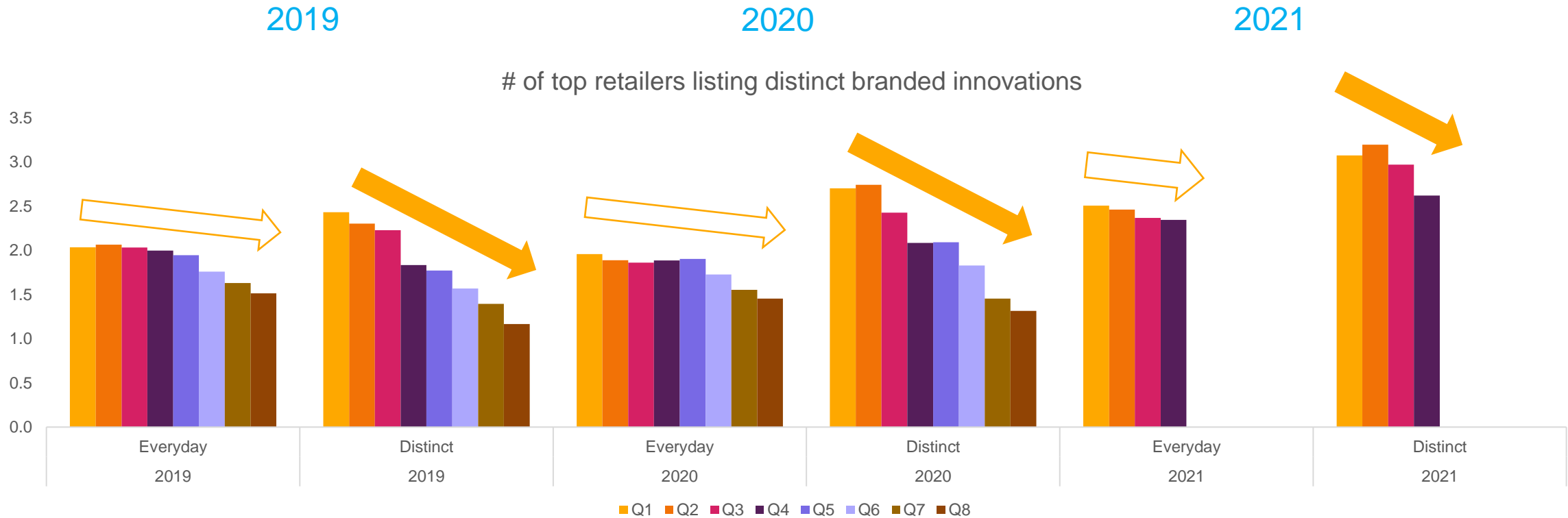
Results: Survival

Similar likelihood to remain on the market after one and two years – 2020 distinct launches less likely



Results: Number of Listings

More initial listings, but quicker drop-off for distinctive innovations



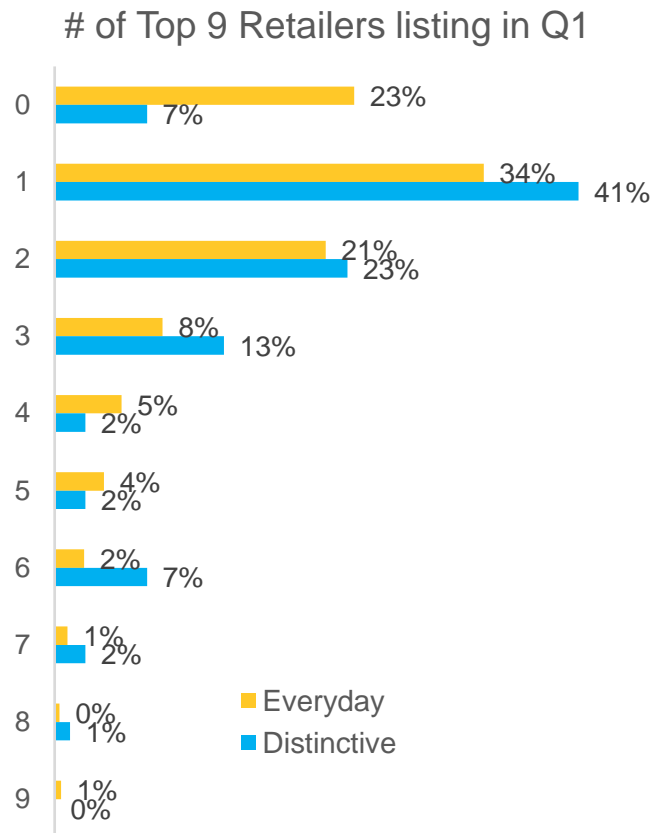
Not surprisingly, brands get more listings than Private Labels (1 retailer by definition). Distinctive branded innovations get more listings to start with, but these are not sustained: After a year their presence is very similar to everyday innovations.

Averages only reflect the branded launches which are still available.

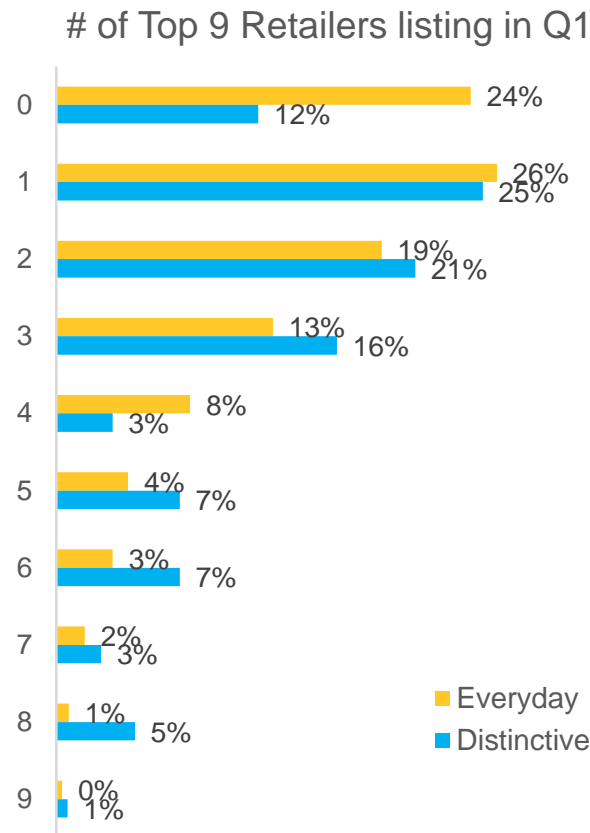
Results: Number of Listings

Distinctive launches make it into more retailers and are much less likely to not enter any of the top chains

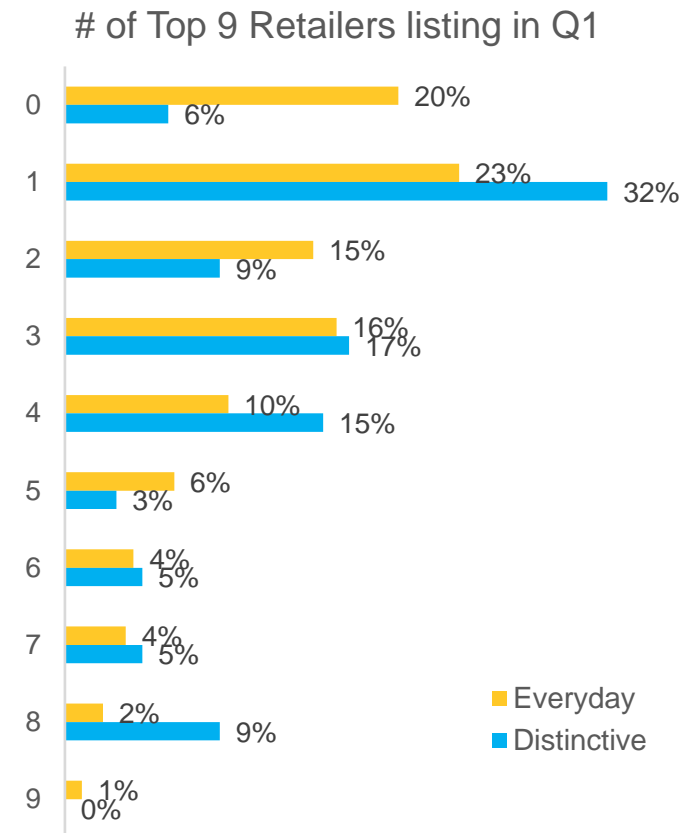
2019



2020



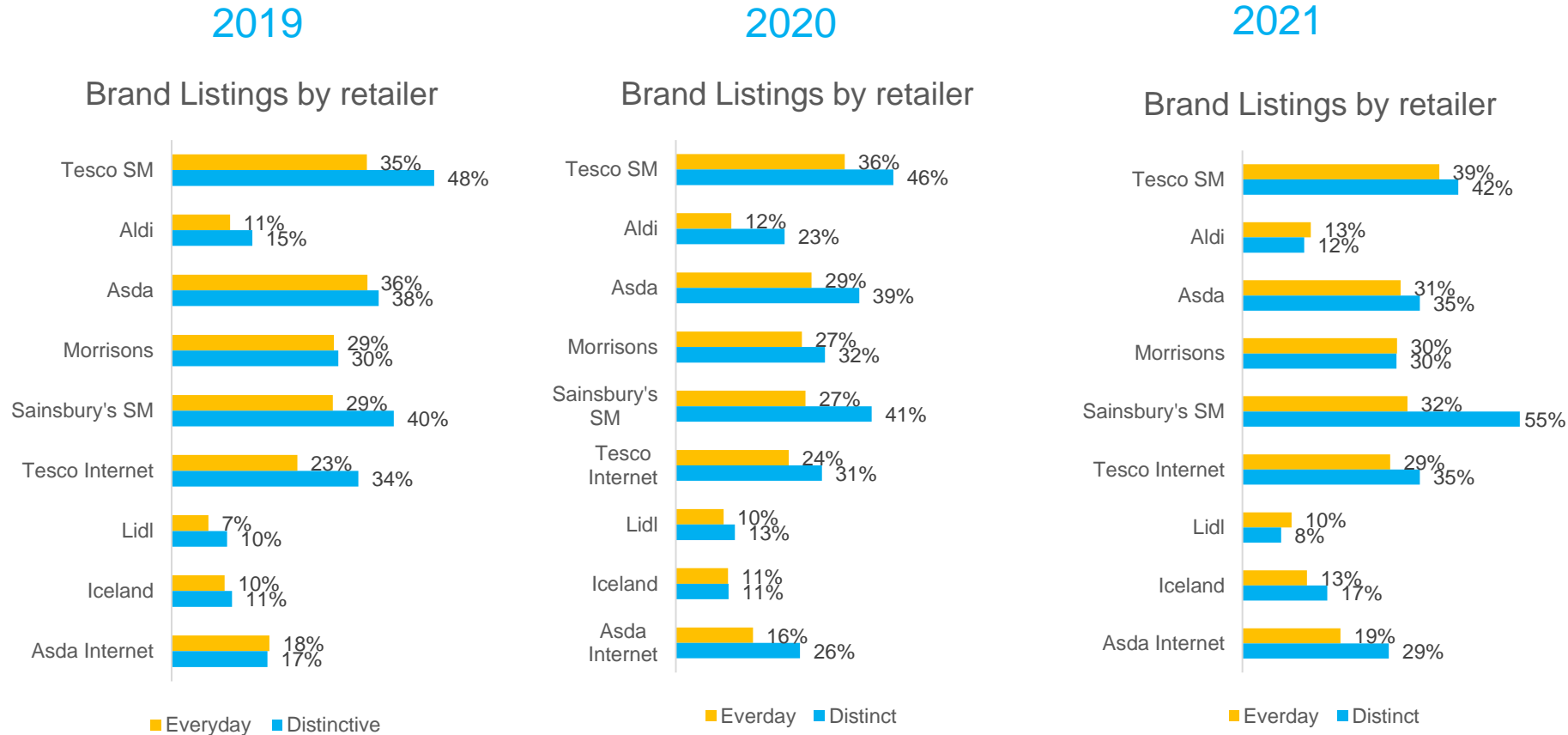
2021



Percentages only reflect branded launches.

Results: Which retailer lists more/less brand innovations?

All retailers (except Asda and Morrisons) show higher listing odds for distinctive versus everyday branded launches



Distinctive branded innovations show better listing odds in most retailers. Not surprisingly, discounters list fewer launches, irrespective whether distinctive or not.

Morrisons and Asda seem more reluctant to list distinctive branded innovations than Tesco or Sainsbury's.

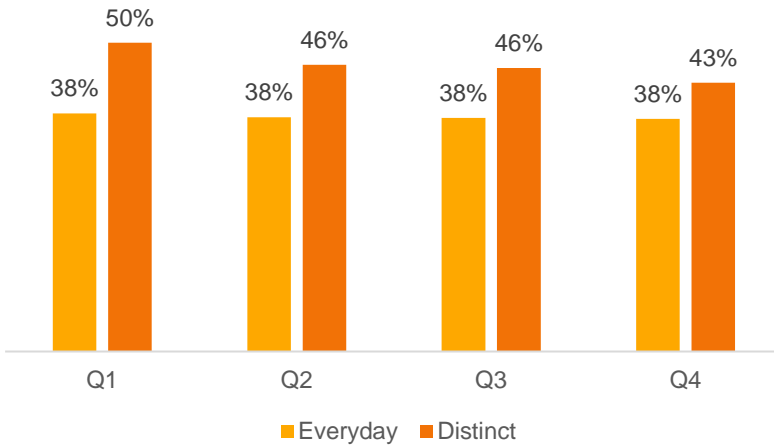
Percentages only reflect branded launches.

Results: New Buyers

Distinctive innovations are more likely to reach non-buyers of the brand*

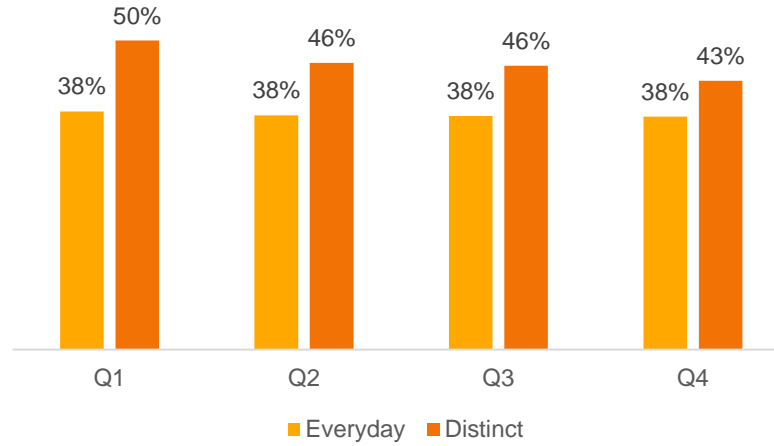
2019

% of Buyers new for the brand



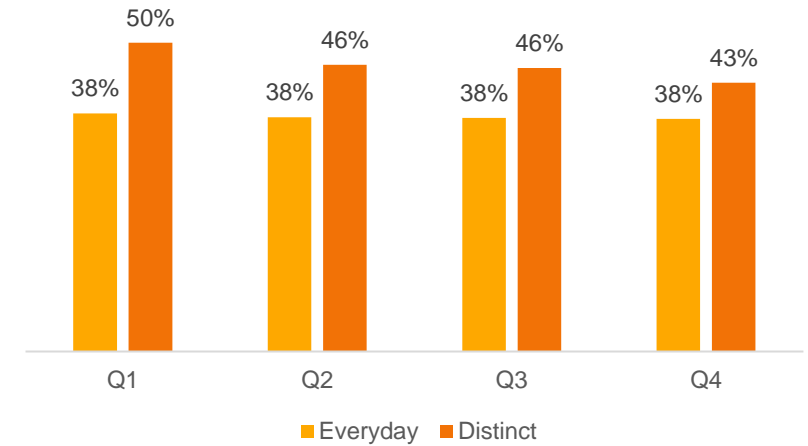
2020

% of Buyers New to the Brand



2021

% of Buyers New to the Brand



* Households who did not buy the brand in the previous year

Recommendations

Why launching distinctive innovations is worthwhile

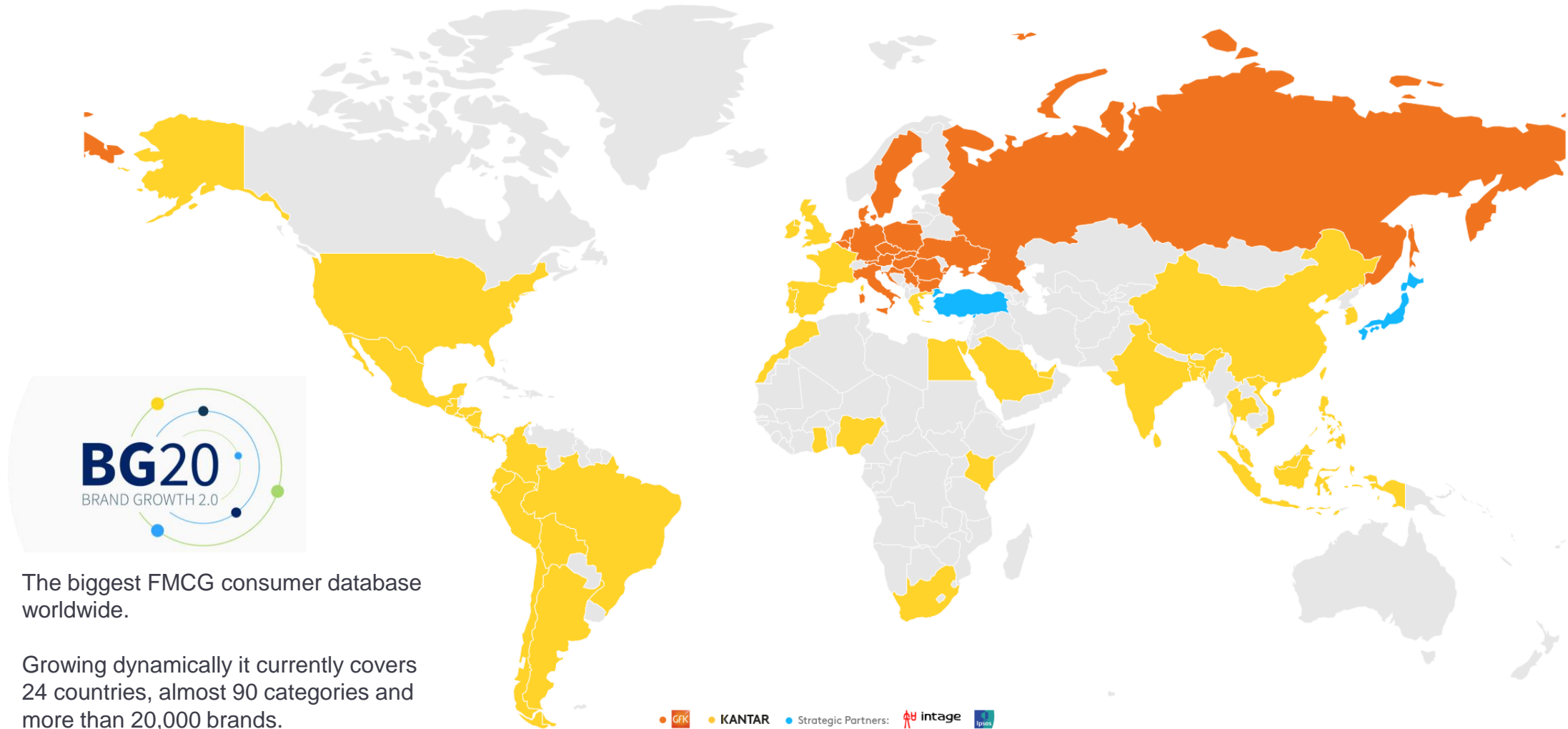
The results in this report show that distinctive innovations tend to be **disproportionately successful when launched**, but their advantage fades after about one year.

The initial success seems to result from more retailer support, the ability to attract buyers which usually do not buy the brand – and quite likely communication support by the brand launching the innovation.

When focusing solely on the sales of these launches one might conclude that aiming for distinctive innovations seems unnecessarily ambitious. While not tested in this study, several **arguments to aim for distinctive innovations come to mind**:

1. **Brand reputation**: Distinctive innovations help to enhance a brand's reputation as a dynamic leader of the category. It is unlikely that lesser innovations could create a comparable buzz. Such activities are also likely to benefit the core brands and the whole category.
2. **Price**: Indirectly such launches (usually priced higher) help sustain consumers' willingness-to-pay and they justify a price premium.
3. **Retailer relationships**: Retailers call for distinctive innovations. Distinctive innovations provide a story to tell and an opportunity to interact – and therefore are one means to develop key account relationships.

Europanel Country Coverage: A Panel of Almost 600k households



The biggest FMCG consumer database worldwide.

Growing dynamically it currently covers 24 countries, almost 90 categories and more than 20,000 brands.

● GfK ● KANTAR ● Strategic Partners: intage Ipsos

** For the Russian Federation & Ukraine there are no new business enquiries at present.

BG20 Categories



Bean and Ground Coffee
Beer
Carbonated Mineral Water
Colas
Concentrated Fruit Squash
Instant Coffee
Instant Drinking Chocolate
Lemonades
Milk
Other Flavoured Carbonates (CSD's)
Pure Fruit Juice
Still Mineral Water
Tea
Tonic Water
Spirits (Alcoholic)



Breakfast Cereals	Jam
Butter	Ketchups
Candy Bars (Chocolate Outline)	Margarine and Spreads
Canned Fish	Mayonnaise
Canned Green Beans	Olive Oil
Canned Peas	Packet Soup
Chocolate Spread	Pasta
Chocolate Tablets and Blocks	Potato Crisps
Cooking Fats and Oils - Liquid	Processed Cheese
Cooking Fats and Oils - Solid	Salad Dressings
Cooking Sauces	Soft Cheese
Frozen Fish	Soup and Bouillons – Wet
Frozen Dinners and Entrees	Sweet Biscuits
Frozen Pizza	Tinned Soup
Frozen Vegetables	Yoghurt
Hard Cheese	Dry Bouillons
Ice Cream	Frozen Meat Products

BG20 Categories



Bleach
Dishwasher Products - Solid
Fabric Conditioners
Heavy Duty Washing Powder
Household Cleaners
Kitchen Papers
Lavatory Cleaners
Washing Up Liquids
Window Cleaners
Capsule Detergent
Liquid Detergents
Laundry Detergents (All Formats)



Body Creams and Skin Care	Shaving Foams and Soaps
Dentifrice and Toothpaste	Shower and Bath Additives
Deodorants	Toilet Soap
Facial Tissues	Toilet Tissues
Hair Colouring Products	Toothbrushes
Hair Conditioning Products	Mouthwash
Hairsprays	Skin Cleansing Lotions
Liquid Soap	
Nappies and Diapers	
Paper Towels	
Razor Blades	
Sanitary Protection – Pads	
Sanitary Protection – Panty Liners	
Sanitary Protection – Tampons	
Shampoo	