British Brands Group

# Innovation in UK grocery

## 2019-2021

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the voice for brands

## Contents

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## In short

**Why innovate** – Companies that innovate more than average experience twice the growth. In grocery, winning brands launch more new products and gain more value from them.

**Growth** – The number of buyers is the most important driver of brand growth. Grocery brands lose 50% of their buyers from one year to the next and these must be replaced.

**Innovation** – It provides the opportunity to talk to retailers and shoppers and is a key driver of buyer retention and growth.

**Innovation barriers** – There are many, such as physical availability, mental availability, distinctiveness, positioning and pricing and private label competition. In addition, more complex new brand introductions are more risky for the consumer and it is also more difficult in crowded marketplaces. In UK grocery for example, on average 60 to 90 new products are launched every year in every category.

**The focus of this study** – To identify the relative success of distinctive innovations. Are these more likely to come from brands than private label? Do distinctive launches out-perform everyday ones?

**How many** – In the 89 UK grocery categories studied, there were 18,167 new products between 2019 and 2021. Only 375 qualified as distinctive innovations.

**From whom and where** – Brands represented nearly 90% of 'distinctive' launches. Launch numbers are higher for more frequently purchased categories that have higher buyer reach.

**Price** – On average, new products are priced at a significant price premium.

**Trial rates** – Initial trial rates for distinctive new products compare favourably with existing SKUs. However they lose appeal quickly and yet survival rates for distinctive new products are as good as everyday launches.

**Which brands** – New products from large brands always do better.

**Retailers** – Support from retailers for branded distinctive new products is strong. Multiple retailer listings are much more likely. Retailers also continue to support branded distinctive new products despite their declining performance over time.

**Buyers** – Distinctive new product buyers were significantly incremental to the parent brand.

**And so?** Are distinctive innovations more likely to come from branded companies than retailers? Yes and significantly. Do distinctive launches out-perform everyday ones? Yes, but only initially.

**However**, the buyers of distinctive new products are more likely to be incremental and this is key to long term brand growth and underlying behaviour and it is clear from many, many categories how distinctive innovations have built brands and category value over time.

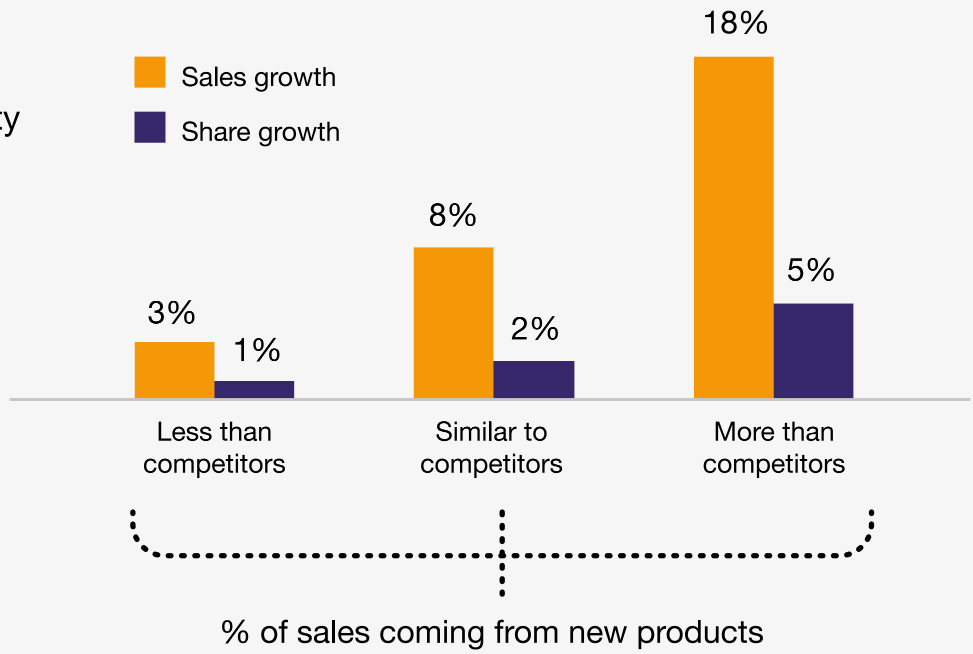
**Why?** Several factors or combinations of factors lead to these conclusions: the business model, pricing, the level of 'newness', shelf space, competitive clutter, realistic expectations, promotion and communication maintenance, positioning and consistency, appeal or the lack of it for the most innovative consumers.

## The case for Innovation

Innovation is central to any successful brand. This is true of all brands in every market and country, whether retailing, grocery, cars, electronics, finance and even entertainment and politics. Business models may differ, such as more innovation for brands and more renovation for retailers, but the importance of new products remains key to all. For AIM, the European Brands Association, Kashani et al looked at a range of markets in different countries. They found that companies who innovated more than the average competitor experienced twice their growth in sales and share. Whilst those that innovated less showed half the average growth rates. Innovation matters in both directions.

Company growth compared with new product intensity – USA & Europe

Source:
Kashani et al.




Innovation is also not one directional in its implementation. Naturally it is often the product itself by introducing new brands, sub-brands, types, varieties or ingredients. But in addition it can be new types of packaging, advertising and promotion as well as sustainable and environmental developments.

Innovation is not one dimensional. There are simple range, size or type innovations which are 'easier' and cheaper to introduce. These represent less risk to the shopper and consumer, theoretically making choice easier. There are also more complex, higher priced new brand, new product or new concept introductions. These are more risky when set against unproven benefits, making choice more difficult.

Why is innovation so important to brands? Above all, it ensures the brand remains relevant as consumer needs and preferences evolve and competition dilutes any performance advantage. It provides brand owners with the opportunity to talk to consumers via advertising, promotion and packaging. It enables conversations with retail customers to extend or at least retain distribution and to build or at least keep shelf space. All of these outcomes are the drivers of more buyers and therefore growth.

How would most grocery categories look today without innovation? Laundry detergents with powders without liquids, then tablets then capsules; bread without all the sourdoughs and hand-crafted options; cheddar cheese from a couple of choices to many brands and private labels, different strengths, low fat, vegan; shampoos without varieties for specific needs, targeting every type and colour of hair. The extra value created through these innovations is immense, not just in cash but also in consumer experience.

But successful innovation faces many barriers: physical availability in terms of retailer listings and shelf space; mental availability such as advertising, promotion and shelf space; product 'newness' or distinctiveness; positioning and pricing versus competitors; consistency with the parent brand; consistency of investment and support; private label competition and imitation; new product expertise locally or internationally.

The other consideration when evaluating innovation is that it is more difficult in crowded marketplaces with a lot of competitive 'clutter'. Larger countries have more products and hence more new products. This is also true of categories that are bought frequently. In all these cases, new products are likely to be less visible to the consumer and trickier to become successful. Building physical and mental awareness is key and commentary in the Harvard Business Review by A.G. Lafley and Roger L. Martin is extremely relevant using Tide as an example:

> ".. performance is sustained not by offering customers the perfect choice but by offering them the easy one …. not a matter of continually adapting to changing needs … about helping customers avoid having to make yet another choice."

In the UK grocery market, the shopper is faced with 20,000 to 25,000 products when shopping. Between 60 and 90 new products on average are launched every year in every category. Few of these will survive and even fewer be successful. This is huge competitive clutter to cut through and success will take a long time, often decades. In the example above of laundry detergents, it is only relatively recently that powder detergents were overtaken as the main format. Another example of how long it takes is the launch of discounters in the UK grocery business. Aldi's first store was opened 34 years ago.

This study focuses on new products in the grocery market in the UK over the period 2019 to 2021. It includes new products introduced by brand manufacturers and those introduced as private labels by retailers. New products are differentiated between 'everyday' and 'distinctive' and many of the barriers to success are considered. The study also draws on more general learnings on new product introductions over different time periods and other countries to put the 2019-2021 findings into context.

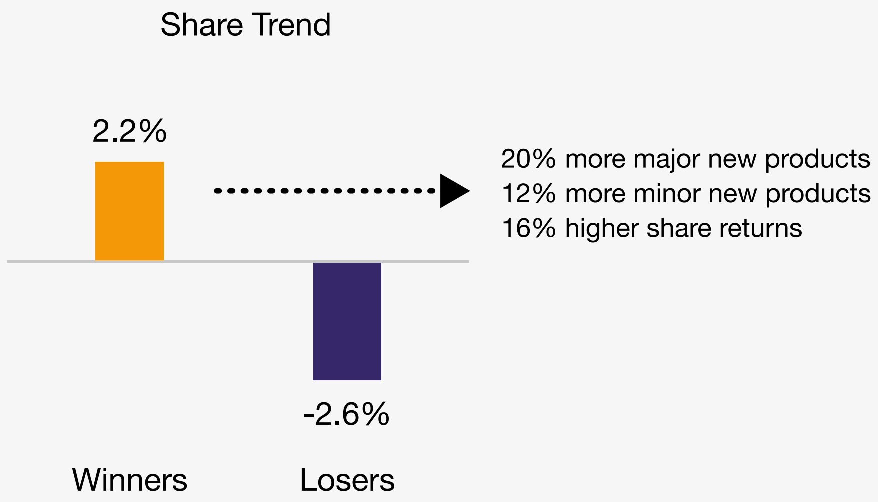
# The case for innovation – grocery products

Winning grocery brands launch more new products and gain more business from new products than losing brands. This is true over any time period, whatever the background economic situation.

Between 2018 and 2021, which included the 'Covid' period, the top 25% growing brands in 15 European countries gained an average 2.2% market share. The 25% worst performers lost 2.6% share. The winners introduced 20% more 'major' new products than the losers and 12% more 'minor' innovations. Most importantly, these new products also delivered 16% higher share returns.

## Top growing brands vs Worst Performers – 2018 to 2019

Source:
Europanel BG 20
15 countries 8862
brands 2018 to 2021




A similar study from 2013 to 2016 which included the USA showed that the top winners were nearly 20% more likely to bring out new products than losing brands. The sales returns were 50% higher and the new products allowed them to gain 13% more shelf space compared with 7% less for losers.

The period 2008 to 2011 experienced the 'credit crunch' and economic downturn. Another similar study across 8 European countries shows that winning brands over this period launched 60% more new products than losing brands and the share contribution to the brand was 50% higher.

Individual studies in Germany (2001 to 2009) and Spain (2009 to 2012) echo the same results with the latter also showing that investment in new products brought greater returns than putting money into advertising and promotion.

These large scale studies demonstrate the critical importance of innovation across countries and a variety of economic backgrounds. It is also true when examined by type of category in the 2018-2021 period. Brands that failed to introduce new products in food, beverage, personal care or household products all lost share on average. And in all cases, market share trends for brands that innovated were significantly better.

Europanel BG20 studies also show firstly that retailer share by category is related to their new product performance just like any brand. And similarly that the fate of category development has a strong relationship to innovation.

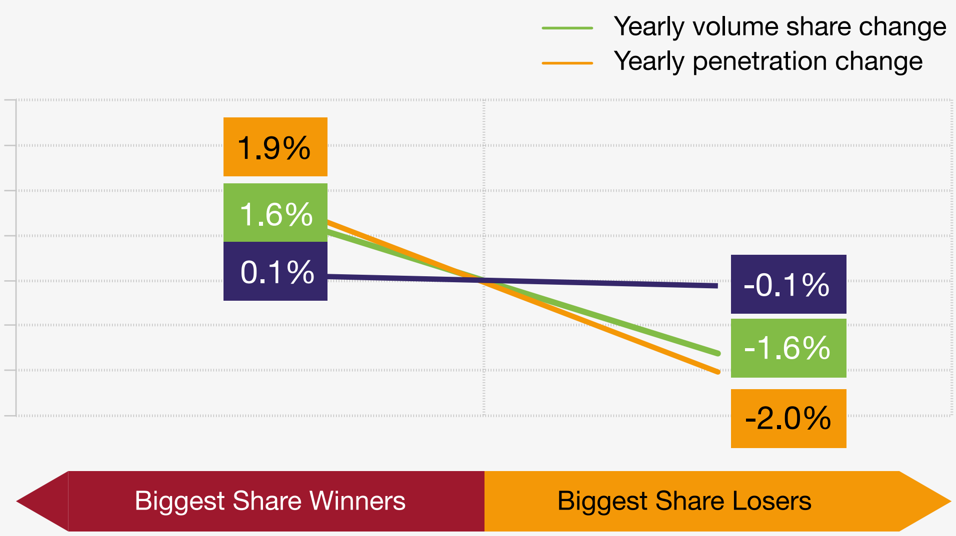
## How does innovation create growth?

New products provide the opportunity for brand owners to talk to shoppers via advertising and promotion and to initiate discussion with retailers. In the latter case there is the potential to gain listings and increase shelf space. Winning brands innovate more and have greater success with these mental and physical outcomes and the result is an increase in the brand's customer or buyer base.

This is critical because the number of buyers is the most important driver of brand growth. There is almost a 1 for 1 relationship between the increase in sales share and the increase in the share of buyers. There is very little influence from frequency of purchase or brand loyalty. It is also true in the opposite direction, with lost brand shares reflecting a lower share of buyers. This is based on a study of 8,000 brands in 16 countries and the results are the same whatever the selection of countries or time periods.

### All categories

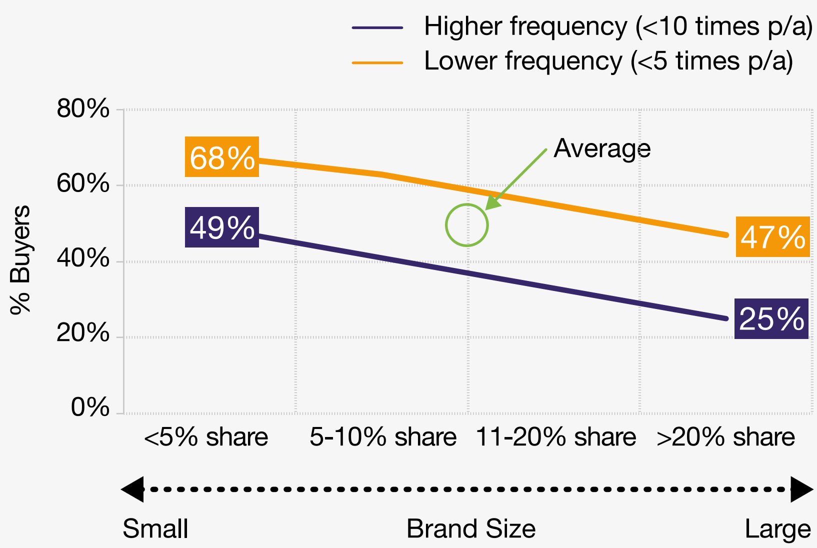
Source:
BG20. Absolute change per year for 8081 top 10 category brands in 79 categories in 16 countries. Total FMCG. Relative penetration = % of category buyers buying brand




In addition, brands experience a very significant 'churn' in their buyers from year to year. On average in grocery markets, brands lose 50% of their buyers from one year to the next. For smaller brands and less frequently bought categories, this is even higher. In order to maintain share, these losses have to be recovered before growth can start.

Percentage (%) of buyers lost per year

Source:
BG20 2400 brands
in 79 categories in
7 countries.
Data MAT 2012

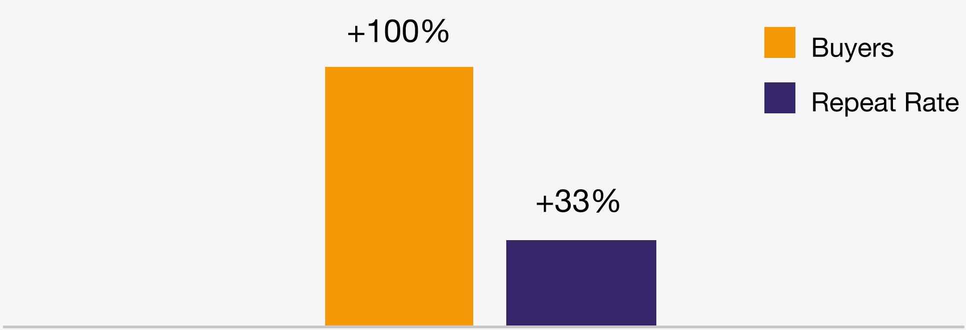



This is why innovation is so important because it creates the opportunity and vehicle for increased mental and physical availability leading to buyer retention and then buyer growth.

Buyer numbers are also a key determinant of new product success. The top innovations have two to three times as many buyers compared with the average whereas buying frequency and the extent to which the new product is re-purchased are much less differentiated. This isn't to say that repeat rates are unimportant but it is the number of buyers that ultimately leads to success or failure.

Top 1000 new skus compared with the next 1000

Source:
Europanel BG 20.
based on 80000
new launches




Innovations are clearly a source of growth – numerous studies clearly show the positive relationship between high launch activity and brand growth – and vice versa. Launching new products is linked to many relevant positive brand outcomes such as salience (a reason to communicate), brand reputation (dynamic vs. stagnant) and to drive stronger arguments with retail partners for shelf space and in-store support. All of these lead to more buyers and hence growth.

## A spotlight on distinctive innovations in the UK grocery market

An important discussion centres on the newness of product introductions and whether higher levels of newness are necessary for disproportionate launch success.

In grocery markets, the newness of most launches is modest because they tend to be similar to existing offerings. However, one focus of this study is to identify and track the relative success of distinctive innovations in the UK launched between 2019 and 2021. 'Distinctive' means that these new products feature a high level of newness.

Therefore the aim is to benchmark 'distinctive' innovations against 'everyday' ones across a number key outcomes:

- Brand versus private label
- Occurrence by category and brand size tiers
- Pricing
- Number of buyers
- How long they stay on the market
- Availability in the leading retailers
- How many buyers are incremental for the brand

This leads to two main questions: Are distinctive innovations more likely to come from brands than private label and do distinctive launches out-perform everyday ones?

## Data and method

The scope is all new products identified in the UK in 2019-2021 from a basket of 89 categories covering food, beverages, household care, personal care and petfood products. This is sourced from the Europanel BG20 datasets, a global research initiative to uncover the success of brands in the grocery market. In the UK, the source is the Kantar Worldpanel Household Panel.

It is important to understand how 'distinctive' innovations were identified and separated from 'everyday' ones. A new product, even a new brand or sub-brand, is not a sufficient indication of a distinctive innovation. A combination of text-based automated rules led to a shortlist of all launches with descriptions that have never been used in the category, such as brand, sub-brand, product description, ingredient or size. A further two-person manual examination of this list identified 'distinctive' launches.

The name of the launch is the most important piece of information for these text-based rules. It assumes that, if a supplier considers the launch to be "really new", its newness will be signalled 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. The name is compared to its "closest match" by scanning the category for the product name that is most similar. It evaluates the degree of similarity via a closest-match score which ranges from a low of 1 to a high of 49. For example:

**Coca-Cola Cinnamon PET 1lt vs Coca-Cola Life PET 2lt**
***leads to a score of 36***

**Morrisons Natural 4X125G vs Yoplait Natural 4X125G**
***leads to a score of 16***

**Kellogg's Cornflakes 500gm vs Kellogg's Cornflakes 550gm**
***leads to a score of 2***

All launches with a score below 30 and did not feature a new sub-brand were only skimmed. All launches with a score below 30 with a new sub-brand were examined by one person. All remaining launches with higher scores were manually inspected by two people looking for unusual ingredients or flavours or benefits, plus a manual check on whether this was the "first of its kind in the category".

Some rules were: a new flavour combination (e.g. elderberry and apple) was not sufficient if either flavour has been available before; in categories where new flavours is the norm, new flavours were not generally sufficient (e.g. Colombian Highland Chili Crisps); a new flavour atypical for the category was considered "distinctive" (e.g. toffee beer, cola cinnamon); a new ingredient was sufficient if new to the category (eg. electrolytes in water, proteins in chocolate spread).

## A revised relationship between novelty of new products and trial probability

## How many launches are there?

In the 89 UK grocery categories covered in this study, there were on average 7,000 new products launched every year from 2017 to 2021. But this masks a drop in numbers in 2019 and again in 2021 where the number was 5,557. Both 2020 and 2021 will have been impacted by the pandemic. Many manufacturers were keeping operations up and running rather than launching new products. Retailers were also focusing on product availability and running operations as simply as possible given lockdown disruptions and supply shortages.

In line with previous studies looking at the 'newest' innovations, distinctive new products are a small proportion of the total launches. Out of 18,167 new products from 2019 to 2021, only 375 (2.1%) qualified as distinctive innovations.

The percentage in 2021 was even lower and likely again a pandemic effect with manufacturers less likely to risk and support the more distinctive launches when they already had a lot to deal with.

## Distinctive Launches profile

On average just over 60% of distinctive launches were new flavours for the category, with examples including toffee in beer, raspberry in cola and wine in coffee. Next came 'healthy' launches at 20% of the total, typically less sugar or salt, or added functional health-focused ingredients. New functionality came next, especially in 2019, although this dropped considerably afterwards. This included new benefits like a thicker drinking chocolate, more flexible femcare material and a cleaner for a new surface. The numbers of launches were much lower (sadly) for sustainable/organic, new ingredient for the category and new process.

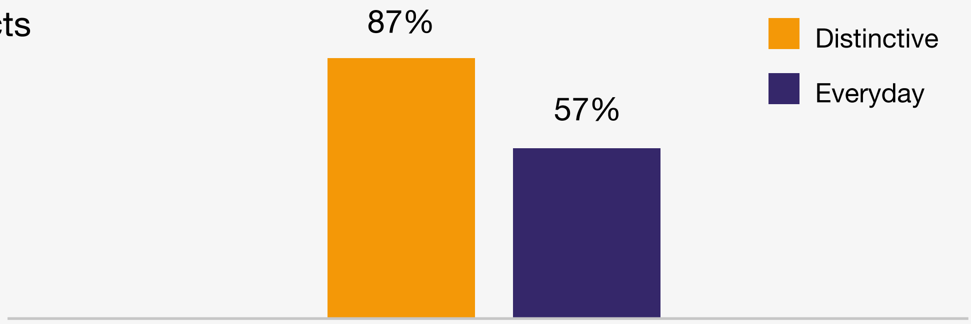
## Brand versus retailer influence

The more than 18,000 new products launched over the period came from 1,000 different suppliers.

Brands represented nearly 60% of all new products launched. But at nearly 90%, they accounted for the vast majority of 'distinctive' launches. Private label is much more focused on 'everyday' new products with fewer than 50 distinctive launches over this three year period.

## Brand manufacturers share of new products

Source:
Europanel BG20,
89 categories,
18000 new products
UK 2019 to 2021




Perhaps this is not surprising given the different business models between brands and private label. Brands invest in a detailed understanding of the consumer and their current and future needs within a category. They aim to meet these needs better than competitors and to make their products and their benefits available as widely as possible. The objective is to drive the volumes required to deliver the economies of scale, margin and price needed to be competitive. In this model compared with retailers, innovation plays a more important role than renovation.

This is not to understate the role of renovation for brands because it remains important to defend facings, maintain retailer dialogue and create news. And as well as more distinctive innovations, winning brands do more renovations than losing brands and gain greater share returns from them. Effectively brands need to innovate and renovate.

Private labels take a wider yet segmented approach, such as cheapest, mid-range, premium and free from. They compete primarily on price, avoiding many of the costs and risks of innovation and widespread distribution. The aim is more to deliver a price point that allows them to compete with branded products within store and to reinforce their assortment and price-position against other retailers. The focus is more on renovation with real-time store data to follow and copy successes quickly and disruptively.

This is emphasized by how the influence on new products by manufacturers is very widely spread. The top six (Unilever, P&G, Nestlé , Mars, Mondelez and Colgate-Palmolive) only account for 15% of all new products launched. On the other hand, the top 6 retailers in terms of new products (Aldi, Lidl, Tesco, Asda, Morrisons, Iceland) account for nearly one third of the total. Perhaps this isn't surprising given that retailers play in every category.

## Category and supplier influence

Launch numbers are higher for more frequently purchased categories and for categories with higher reach in terms of the number of buyers. The average shopping frequency for the top innovation categories is 20 times a year and they reach nearly 90% of all shoppers. In contrast, the bottom categories are 4 times a year and one third of shoppers respectively.

The top categories for all new launches every year included yoghurt, sweet biscuits, shower/bath additives, frozen meat products, cooking sauces and household cleaners. Also prominent across the three years were frozen dinners/entrees, ice cream, beer and dry dog food. The least active categories included butter, canned peas, olive oil, shaving foams/soaps, cooking fats, toilet soap, lemonade, window cleaners and tampons.

The top categories for distinctive new products contain some of the same categories but not exclusively. Key ones were spirits, beer, breakfast cereals and chocolate tablets/blocks. Other prominent ones were ice cream, potato crisps, sweet biscuits and instant coffee. Many of these again have both high shopping frequency and wide shopper reach.

Distinctive launches were dominated by five companies accounting for 23% of the total. These were Walkers, Pladis, Kellogg's, Beanies and Aldi. The next five accounted for a further 11% and these were Mars, Coca-Cola, Brewdog, Tesco and SC Johnson.

The branded companies launching distinctive innovations are very similar in terms of size and reach to the companies launching everyday innovations. Why? Because they often are the same companies!

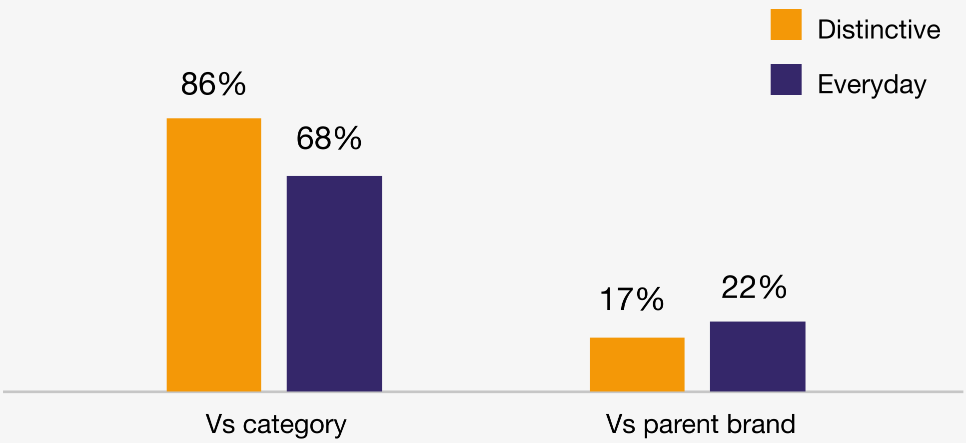
## New product pricing

On average all new products are priced at a significant premium compared to both the category and the parent brand.

For brands, 'everyday' launches had a 68% price premium compared to the category average and 22% versus the parent brand. 'Distinctive' new products were, not surprisingly, at a higher relative price being 86% more expensive than the category. They are also 17% more than the parent brand. This may seem counter intuitive but the parent brands launching distinctive new products tend to be higher priced.

## Branded new product pricing premia

Source:
Europanel BG20,
89 categories,
18000 new products
UK 2019 to 2021



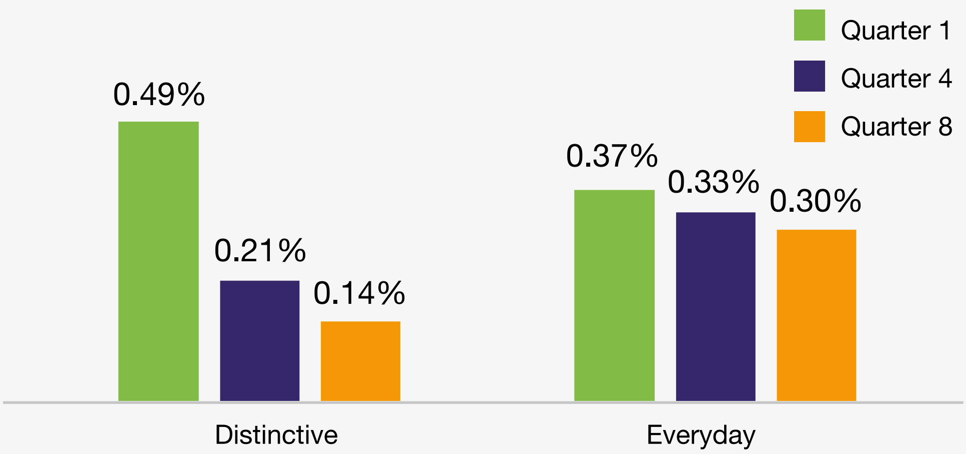

Even private label 'everyday' introductions came at a 38% premium compared with the category and 42% above the parent private label.

## Distinctive new products trial

In the first quarter after launch, distinctive new products reached 0.49% of shoppers compared with 0.37% for everyday launches. However, by the fourth quarter after launch, trial of distinctive new products had dropped to 0.21% and to 0.14% by the 8th quarter. The trial rates for everyday launches are much more stable over time, only dropping to 0.3%.

## New Product trial rates

Source:
Europanel BG20,
89 categories,
18000 new products
UK 2019 to 2021



These trial rates may seem low and so it is valuable to put them into perspective by comparing with quarterly penetration rates at SKU level across all grocery products. These are on average around 0.2% to 0.25% and so the new product rates compare favourably, especially at the start.

However, it is clear that distinctive innovations start well and then seem to lose appeal quickly. Even for large brands, whilst their distinctive innovations reach the same share as their everyday innovations in Q1, it drops back quickly.

There are differences by brand. Launches by large brands always do better than launches by small brands, whether they are distinctive or everyday innovations. The performance difference between large and small brands is most pronounced for distinctive launches. Here they achieve a five times higher share than smaller brands compared with a three times differential for everyday launches. This is likely in part to be due to ‘clout’ – more support in terms of communication and retailer relationships and the potential that their distinctive launches may also be ‘better’.

## Distinctive new products survival

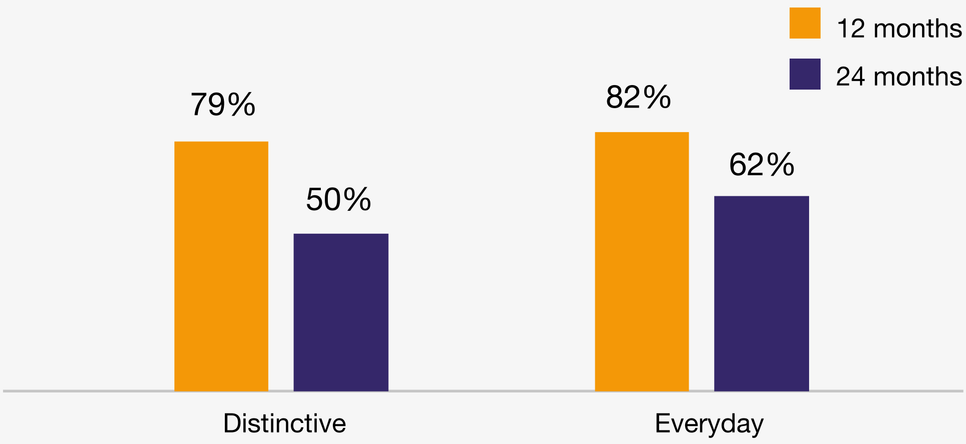
Despite the significant drop off in the trial of distinctive new products, 79% were still on the market after twelve months, not much different from the 82% for everyday new products. However this dropped to only just over 50% after two years although this was influenced by a particularly low survival rate for distinctive launches in 2020. Otherwise over 60% made it to two years, a very similar rate to everyday new product launches.

## Retailer support for new distinctive new products

A major influence and potential barrier to any successful launch is retailers. To start with, distinctive launches were more successful and had, on average, 2.7 retailers listing the new product compared with 2.2 retailers listing new everyday products. However, the 2.7 for distinctive launches dropped to 2.1 listings after one year and to 1.4 retailers after two years. On the other hand, everyday new product launches more or less held on to their listings after a year and even held 1.7 retailer listings after two years.

## New product survival rates

Source:
Europanel BG20,
89 categories,
18000 new products
UK 2019 to 2021



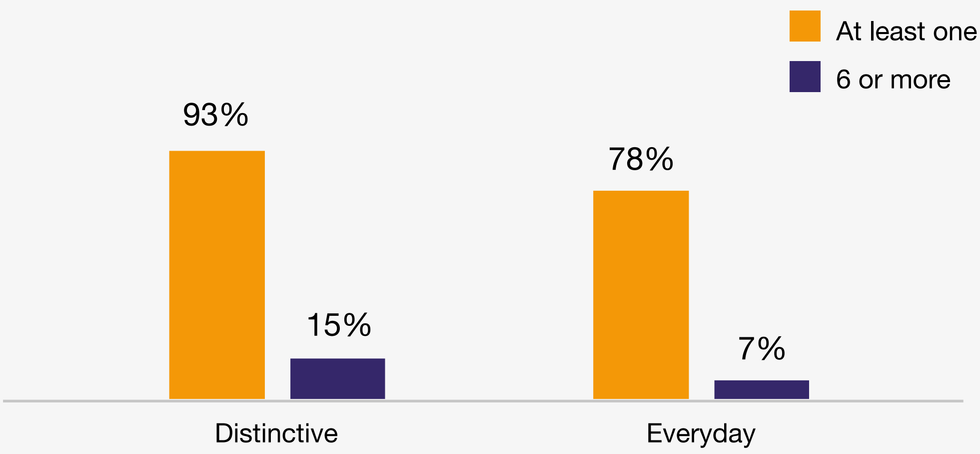

These patterns very much reflect the trends in trial rates and, naturally, have a significant causal effect. However, this doesn't necessarily tell the whole story because, for this, we would need to know why the retailers dropped the distinctive launches more quickly.

A comparison of trial trends with retailer listings helps our understanding. Trial rates for distinctive new products dropped by 57% after a year and by 71% after two years. These reductions are much steeper than the reductions in retailer listings of 22% and 48% respectively, suggesting that, on average, product performance did not live up to expectations. It also shows that retailers continued to support distinctive new products despite their declining performance over time.

Looking at how many of the top ten retailers listed new products also shows the extra support given for distinctive new products. 93% of distinctive launches were listed by at least one of the top nine retailers compared with 78% for everyday launches. And multiple retailer listings were also much more likely for distinctive new products – 15% were stocked by six to nine retailers as opposed to just 7% for everyday launches.

Number of the top 9 retailers listing new products

Source:
Europanel BG20,
89 categories,
18000 new products
UK 2019 to 2021




Not surprisingly, discounters listed fewer launches, irrespective whether they were distinctive or not. All other retailers were more likely to stock distinctive versus everyday branded launches although the difference in Asda and Morrisons was less marked. On the other hand, the listing support given by Tesco and Sainsbury's was much more favourable, with the odds of distinctive new products being listed being well in excess of 40%.

## Incrementality – are distinctive new products likely to bring new buyers to the brand?

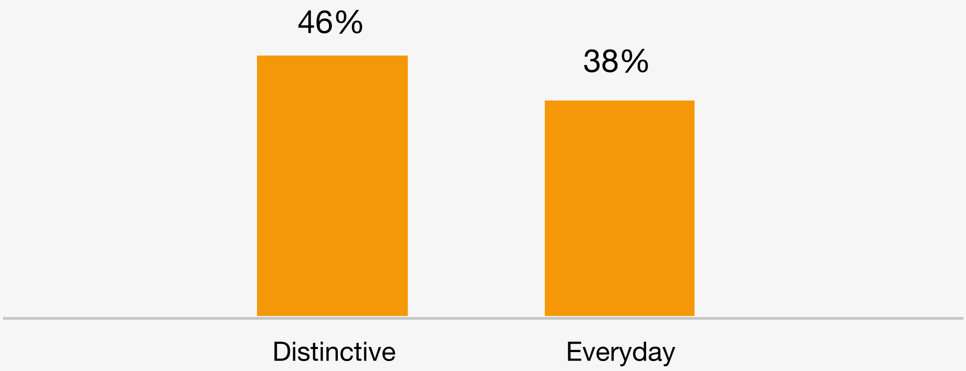
Given that retaining and gaining brand buyers is a critical success criterion for new products, how did distinctive new products fare in comparison with everyday new products?

In the first year from launch, on average across the four quarters, nearly half (46%) of the buyers of distinctive new products were new to the brand, having not bought the brand in the previous year. This compared very favourably with 38% for everyday new products. And this advantage over everyday launches was true for every quarter in the first year in all of the three years studied.

Distinctive innovations clearly have a critical role beyond their individual trial, survival and overall performance. They are distinctive and hence drive consumer engagement and behaviour change. The category examples mentioned earlier (Laundry, Bread, Cheese, Shampoos) show how distinctive innovation has changed behaviour and the nature of each category – and, of course, this is true of the majority of product categories over time.

How many buyers of new products are new to the parent brand

Source:
Europanel BG20, 89 categories, 18000 new products UK 2019 to 2021




It is clear that, despite the drop in buyers of the distinctive new products over time, the buyers that were attracted to the new product were significantly incremental to the parent brand. And also the numbers were significantly higher than the extra buyers brought in by everyday new products.

This incrementality is an important outcome for distinctive new products. The extra buyers coming from these innovations drive greater potential for long term brand and category growth.

A revised relationship between novelty of new products and trial probability


Healthyco Proteinella Smooth Hazelnut & Cocoa Spread (400g)


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


Kelloggs Coco Pops White Chocolate 30% Less Sugar (480g)


Diet Coke Twisted Strawberry (1.25l)


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

## Key points summary

The study objectives were to assess innovation in UK grocery and benchmark 'distinctive' innovations against 'everyday' ones across a number key outcomes:

- **Brand versus private label** – Brands accounted for 90%, the vast majority, of 'distinctive' launches. Private label is much more focused on 'everyday' new products;
- **Occurrence by category and brand size tiers** – New products are much more common in frequently purchased categories with higher reach in terms of the number of buyers. This is also true for 'distinctive' new products. Whilst new branded products came from a very large number of companies, distinctive launches were much more likely to come from the larger players;
- **Pricing** – All new products, branded and private label, come at a significant price premium to the category and the parent brand. This is even more the case for distinctive new products;
- **Number of buyers** – Distinctive new products are more successful at attracting more buyers than everyday launches, at least initially, though this drops quickly to below everyday launches after nine to twelve months from launch;
- **How long do they stay on the market?** The survival rates of distinctive new launches are comparable with everyday launches at 80% after one year and 60% after two;
- **Availability in the leading retailers** – Listings patterns showed that retailers supported distinctive new products more than everyday ones and even as product performance declined, listings held up better;
- **How many buyers are incremental for the brand?** Distinctive new products were much more likely to bring new buyers to the brand, with 46% of the buyers being incremental compared with 38% for everyday launches.

And on the two main questions: Are distinctive innovations more likely to come from branded companies than retailers? Yes and significantly so. Do distinctive launches out-perform everyday ones? Yes but only initially.

However, the buyers of distinctive new products are more likely to be incremental and this is key to long term brand growth and underlying behaviour. Whilst this study of innovations from 2019 to 2021 does not and could not assess the long term impact, it is clear from many, many categories how distinctive innovations have built brands and category value.

The question remains about why these differential patterns occur between distinctive and everyday new products.

## Why does the study result in these conclusions?

There are potentially a number of factors or combination of factors that lead to the conclusions in this report. These encompass: pricing; the level of 'newness'; shelf space allocation; the scale of competitive clutter; realistic longevity given the likelihood of copying; the direct competitive impact of private label followers; expectations set too high; reductions in the level of promotion and communication; consistency with the brand; and that the new product does not appeal to the most innovative consumers.

**Pricing** – Beginning with pricing, the study has established that new products come at a significant price premium compared with both the category and the parent brand. This is especially true of distinctive launches. This means that the new product has to 'deliver' or why would any consumer continue to buy? The taste, the fragrance, the sizing, flavour combination, packaging and communication have to meet the mark, not just initially at launch and first experience but also longer term as familiarity grows with consumers.

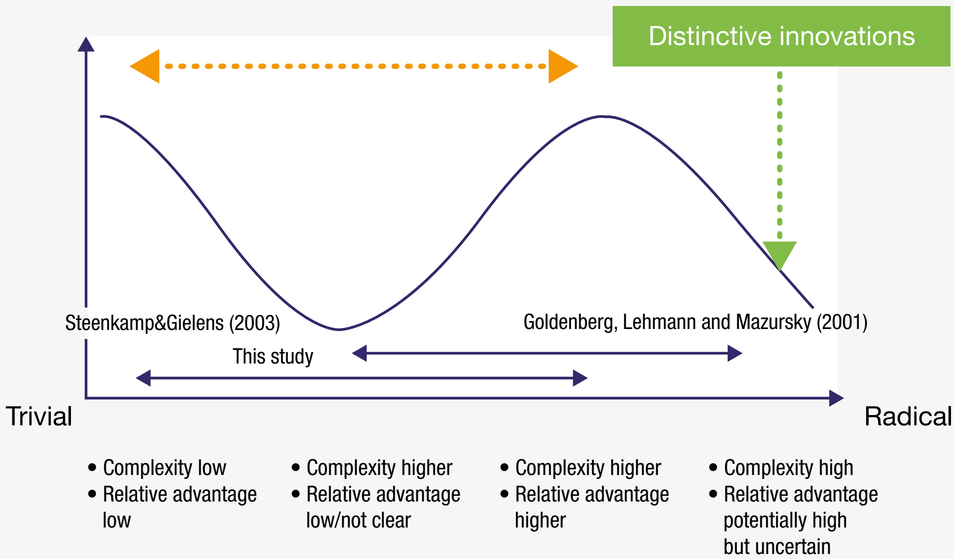
**Newness** – Pricing then has to be considered in combination with 'newness'. The 'distinctiveness' or 'newness' of a new product is a continuum. At the low newness end there are simple pack size changes or additions, and there are changed flavours or varieties. At the more distinctive end, there are completely new brands and new uses such as Febreze when launched by P&G and currently many plant-based launches such as vegan eggs and plant-based dairy products. Then there are launches in the middle such as an existing brand in a new category or new flavours or combinations that have not been seen in the category previously – Cinnamon Coke and Toffee Beer could be argued to be examples. There can also be new products that are even more distinctive such as water-less personal or household care.

Given that all these new products come at a premium price and even more the case as they become more distinctive, they must offer value for money compared with the benefits delivered.

Studies by Steenkamp & Ghielens (2003) and Goldenberg, Lehman and Mazursky (2001) discuss this continuum of newness and its impact on the likelihood that a new product will be purchased.

## A revised relationship between novelty of new products and trial probability

Source:
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.




At the trivial end, there is little newness or complexity, little consumer advantage and little risk that the product won't perform. The study finds that these launches have a relatively high probability of being purchased. Other than little risk, there are other factors that will often support this higher likelihood of trial. These new products are often termed 'renovations' within a brand and replace existing products in the brand assortment. This means that shelf space is much easier to realise because they are essentially one in one out of the range on display. In turn this leads to immediate shopper awareness and higher chances of purchase.

At the more distinctive end of the Steenkamp/Ghielens study, the new product is much more complex to the consumer but potentially offers more advantages too. This makes the new product attractive despite its high price and leads to a relatively high chance of being tried. Febreze was a good example at this end of the continuum as is Finish, which has regularly upgraded its premium offering thereby moving the previous premium to 'core' and premiumising the whole category.

The study then found that new products 'caught in the middle' performed poorly. The surmise is that the relative complexity of the new product was quite high but the advantages uncertain or unclear and when combined with a price premium led to lower trial probability.

The work by Goldenberg, Lehman and Mazursky considered the even more distinct or radical introductions. They show that the probability of trial drops again as new launches become even more 'new'. Here the argument is that the complexity is very high and the relative advantages are also high but uncertain. At this end of the scale, it shows that time needs to be given and support needs to be continued to improve the chances of success. It also shows that in branded grocery products it isn't necessarily about seeking many radical introductions but more about products that are sufficiently new to prompt reassessment and break habitual behaviour.

**Shelf space** – As with trivial new products, shelf space must be considered when evaluating distinct new products. Trivial new products are often 'renovations' with ready-made shelf space. But distinct new products have to fight for additional space because they bring something new to the market. Naturally this is much more difficult both to gain and retain at all retailers and will be a significant factor in long term success.

**Realistic longevity –** This leads on to being realistic about longevity and about the significance, delivery and uniqueness of the launch. Theoretically a distinct new product should survive the longest because they bring something new and radical to the market. But assuming the idea is successful, the likelihood of copying by other brands and especially private label rises. This may help the initiator by reinforcing the innovative idea but, if the competitor is better or cheaper, it may mean that first in isn't always best.

**Visibility –** This is another important variable. This and other studies show that many more new products are introduced in categories that are bought frequently and have a large number of buyers. These categories already have more brands and more products than less frequently bought categories. Visibility to the shopper and consumer becomes much more difficult in this highly competitive world. Hence the importance of 'stand-out' in everything surrounding the new product – the shelf, the communication, the packaging, the features and display and the promotions. And, of course, the continuation of this support and messaging over time.

**Clutter –** Success expectations and objectives must be realistic and 'considered' for the relevant category or categories. They must bear in mind the scale of competitive clutter and the buyer reach for other existing products in the category. With 70 new products per year by category and 20,000 to 25,000 products that the shopper faces in store, ambitions must be tempered.

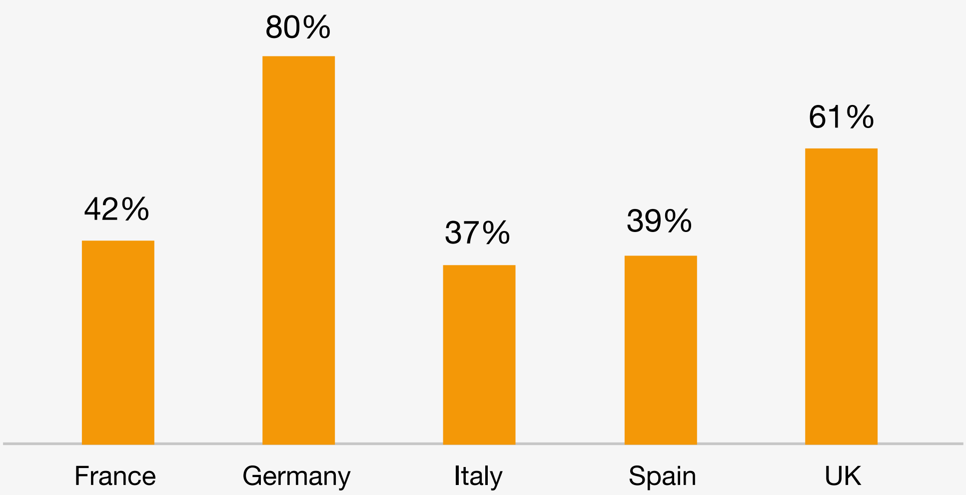
**Consistency –** Several studies have also looked at the importance of consistency. Good examples have been the long term consistent communication and new product strategies for Walkers Crisps and the communication model for Red Bull in that it is always instantly recognisable. A.G. Lafley and Roger L. Martin, writing in the Harvard Business Review, said:

> "… comfortable buying habits will over time trump innovative but unfamiliar alternatives that may be harder to find and require forming new habits. So beware of falling into the trap of constantly updating your value proposition and branding."

**Appeal** – Finally, does the new product appeal to the most innovative consumers? Rogers (1963) showed that there is a diffusion of innovation amongst consumers when products are launched. The 'innovators/early adopters' are the first to try, followed in time by the 'early majority', then the 'late majority' and finally the 'laggards'. If the new product fails at the early hurdles, the probability of success is low.

Compared to the average consumer, how many more new products do innovators buy in the first 3 months from launch?

Source:
Europanel based on Steenkamp, & Gielens Consumer and Market Drivers of the Trial Probability of New Consumer Packaged Goods, Journal of Consumer Research




Steenkamp and Ghielens applied this logic to the grocery market in the five main countries in Western Europe. They found that 'innovative' consumers were significantly more likely to buy new products soon after launch compared with other consumers – in the UK this was over 60% more likely. The study then showed that gradually over time, the other consumer segments started to buy in the expected pattern, next the early majority, then the late majority and finally the laggards. The study also showed that UK shoppers were amongst the most innovative in Europe!

Naturally, if the new product is not bought by the innovators/early adopters in the initial launch period, then the chances of success are similarly low. Retailers and brand owners will all be under pressure to delist, abandon or reformulate those that do not perform.

Some of the key characteristics of the 'innovators/early adopters' are that they are more 'independent' and less susceptible to outside influence. They are less likely to be people who talk a lot about things to their friends and family but they are younger and in households that have more occupants. The last one is key because it means families, an important market segment anyway and one which buys many products and shops a lot. These outcomes help to steer communication, promotion and evaluation.

Future research

## Future Research opportunities

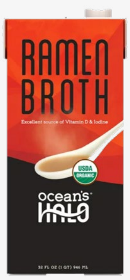
There are a number of factors that should be considered further in the understanding of innovation and how it works:

- the impact on categories;
- the effect on retailers;
- optimum communication strategies for new products;
- which works best, brand extension or new brand;
- shelf space and merchandising strategies and influences;
- market place positioning – new products are always at a premium price but how are they positioned in the pricing structure of the category;
- consistency with parent brand;
- the medium term impact on total brand performance of distinctive innovation;
- which distinctive innovations do retailers copy;
- the competitive effect of distinctive innovation for the number 1, 2 or 3 brands or smaller brands and new kids on the block.

A revised relationship between novelty of new products and trial probability

ALDI argan oil toilet paper


Actiph Alkaline Ionised Water (600Ml)


Oceans Halo Organic Gluten Free Ramen Broth (946ml)


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

Scorecard

## How will your new product fare?

Below is a scorecard to assess your new product against a range of critical success factors. Be realistic in your assessment!

| New Product Attribute | Your score out of 10 |
|---|---|
| Newness – such as distinctive, new use/occasion, relevance, genuine | |
| Strong brand – good reputation and track record | |
| How much competitive clutter | |
| Price and price positioning | |
| Retailer listings | |
| Additional shelf space | |
| Likelihood of copying by competitor and/or private label | |
| Realistic expectations | |
| Continuous communication and promotion support | |
| Consistency with parent brand | |
| Appeal to innovative consumers | |

Case studies

## Case Studies

Examples of new products that succeeded over the period studied by maintaining or building new number of buyers and retailer listings


London Beer Factory Sour Solstice Blood Orange & Cranberry Sour


Pepsi Cola Max Raspberry


Cillit Bang Power Cleaner Induction Electric & Ceramic Hob Cleaner


Whiskas Pure Delight range


Birds Eye Chicken Shop Buttermilk Chicken Strips


McVitie's Jaffa Cakes Blackcurrant and others


Weetabix Weetos Chocolatey Hoops


Chicago Town Saucy Vegan Stuffed Crust Takeaway Smokey Bac'n & Mushroom


Crabbie's Alcoholic Ginger Beer Scottish Raspberry


Ben & Jerry's Chocolate Fudge Brownie Non-dairy Ice Cream


Guinness Draught 0.0%


Moo Free Choccy Bar For Dairy Dodging Choccy Chompers


Oatly! The Original Oatgurt


Wicked Kitchen Pink Beetroot Pesto


Sun Hee Gochujang Korean Paste

Other white papers

## Other white papers and research from the British Brands Group

Brands and their role in competition between retailers, 1 October 2021

Unwrapped – The hidden power of packaging, 28 June 2012

Para-sight: A study of erroneous decision making, Acuity Intelligence, 25 July 2017

Brands and responsible business, 16 February 2010

Brands and consumer trust, 27 October 2015

The value of brands, 12 August 2008

## About the author

Richard Herbert has over 50 years' experience as a client consultant in Market Research including household panels, custom research and retail panels. For over 30 years he has worked internationally advising many of the world's largest FMCG companies and working with academia. He has run global projects on brand growth, innovation, private label, discounters and sustainability. He is based in the Cotswolds in the UK.

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