

### Want New Products That Get Noticed? Change the Process

#### **Bad Call: Results From a New Survey Show Marketers Are Reluctant to Financially Invest in True Innovation**

By Barry Curewitz

The media are always looking for new "darlings," and every now and then a sensational new product emerges, whipping them into a frenetic state. Swiffer, the iPod, TiVo, Crest Whitestrips, Red Bull -- all are products that had the industry gushing about their features and benefits. Part of what drives these stories is the fact that there are so few wildly successful new products -- especially in comparison with the number of products launched.

We're all familiar with new-product failure rates (most are more than 90%) and yet, as marketers, when we read about these new products and understand the innovations that brought them to market, we aspire to be the next success story. We know we're smart enough to create breakthrough successes and believe that "this time around, it's going to work."

Yet often it doesn't work. And because so many of us are caught up in the execution and development of various initiatives, we don't have time to reflect on the underlying causes that may contribute to the limited number of truly innovative introductions.

#### **Growing brands**

To help figure out why there are so few successful, exciting new products, we partnered with Davis Research to conduct a study of the consumer-package-goods industry. Titled "Creativity in New Products: A Reality Check," the survey queried 128 senior marketers representing brands from some of the world's leading CPG companies. Our goal was to gauge the strategies they use to grow their brands, as well as identify the challenges they face.

New products coming to market lack differentiation. This shouldn't be a surprise to anyone; however, the degree to which this is an issue should: Only 12% of survey respondents consider recently launched products as being differentiated. That means nearly nine in 10 believe everyone is introducing me-too products. At the same time, 75% of survey respondents claim to operate in highly competitive categories. Is it any wonder? If everyone is exploiting similar technology within a given category, the market is sure to be flooded with products too similar in design, features and benefits -- meaning the category itself is well on its way to becoming a commodity. It's also reasonable to assume that brands operating in these categories are experiencing price pressure. If manufacturers aren't creatively solving consumer needs, consumers will buy the perceived "deal."

A brand's emotional equity can also be a limiting factor at the shelf. While 62% of survey respondents say they understand that emotions have a meaningful impact on consumers' brand and product choices, only 12% believe companies (theirs and the competition) offer creative solutions to these needs. Combine that with reduced media support -- or at least a fragmented brand message, given all of the new media vehicles in use today -- and the typical brand's equity isn't prominent, nor does it add enough differentiation to convince consumers it's better.

#### **Feeding the enemy**

In effect, by launching me-too products under dispassionate brand umbrellas, we're making it easier for private label to become more prominent.

There are two underlying issues feeding this "exploitation" approach in developing new products rather than encouraging "exploration" of new platforms. The revenue and profit requirements of every brand in the portfolio are real -- there will be no "profit holidays" -- and today's marketing manager is much more manager than marketer.

In our study, marketers claim that the development of completely new products or brand platforms is the strategy most important to their companies' achievement of next year's corporate goals, signaling that the need for innovation is stronger than ever. But many organizations aren't willing to make the financial investment necessary in an activity that comes with no guarantees.

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Add the risk of no marketable output to a timing issue (there are few CPG companies that can invest money from this year's budget to fund an initiative that won't bear fruit until next year or the year after) and few management teams can afford to invest in true innovation.

The survey data further indicate that, while recognizing that completely new products or brand platforms can and should drive growth, respondents say the strategies getting the most focus in the next three years will be development of line extensions and mergers-and-acquisitions work -- two activities that require less internal creativity. Once a brand has established itself in the market, proper expansion of the technology and equity is warranted -- it's smart business. Licensing and acquiring technology from an external partner is also a logical path to pursue. However, when organizations recognize the need for organic growth yet continue to seek it externally, a paradox develops. Management won't be sure which path takes priority.

#### **Few creative skills**

It's no secret that nearly every major CPG company recruits marketing personnel from the finest universities. The graduates of these schools are confident, smart and well-trained. Oftentimes, however, these young professionals are too analytical. They have been trained to analyze, assess, control, decide, determine, evaluate, influence and manage. For the most part, their abilities to ideate, innovate, create and imagine weren't fostered or emphasized as skills important to workplace success. So when they land in the working world, they're placed in positions that rely on and further develop these managerial and strategic skills. Eventually, these are the people who drive the new-product-development process and influence which products get launched and which ones don't.

Between the organization's need to make the best use of marketing dollars and the skill set of the person managing the business and process, innovation takes a hit almost every time -- and so does the development of completely new products or brand platforms.

By now, management within most CPG companies has ensured the development of and adherence to a new-product-development process. This is typically done to keep things under control and to facilitate the development of measurable metrics. And it's well-known that with the proliferation of Six Sigma practices, companies have lost their creative instincts. So how badly has this trend affected the creative input into the development of new products?

In our study we asked marketers to assess their companies' thought processes on a scale where one end is structured thinking (based on analysis, attention to detail and execution) and the other end is unstructured thinking (based on creativity, instincts and innovation). They were asked to tell us what their companies' approaches are today, where they were three years ago and where they are expected to be three years from now. Additionally, we asked respondents what they believed to be the "ideal" thought style for developing new products.

#### **Achieving balance**

What we learned is that today's behavior is much more balanced than it was three years ago and yet far from where they want it to be. In fact, 50% more respondents believe their companies employ a more balanced approach today than they did in 2004 (54% vs. 36%). Yet, a full 84% of participants say a balanced approach is "ideal," a far cry from where they are now.

To meet the needs of the new-product-development process, marketers should make a concerted effort to involve creative types. The involvement of these folks shouldn't be limited to attendance at focus groups and ideation sessions but should be included in the project-design process as well in order to ensure the program output identifies the biggest and best opportunities.

## CMO STRATEGY

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Every CPG company needs new products to generate organic growth. And most marketers recognize the need for and value the involvement of "creativity" in the new-product-development process. So why, then, are most new products dull and boring imitations and duplications? Incorporating creativity in the new-product-development process can help grow your brand and your company and help your product become a media darling.

**Barry Curewitz** is managing partner of Whole-Brain Brand Expansion, a firm devoted to new-product identification and development based in Morrisville, Pa. He has worked on brands including Splenda, Lenox, Lubriderm and Bic.

#### **Marketers Desire a Balanced Approach to New Product Development, but aren't Confident of Getting there**

**Today, 54% believe their efforts are balanced, while 84% consider this an "ideal"**

		<u>2004*</u>	<u>2007*</u>	<u>2010*</u>	<u>Ideal*</u>
<u>Very Structured</u> (Based on analysis, attention to detail and execution)	Top 2 Box	30%	29%	23%	12%
	7	9%	8%	8%	0%
	6	21%	21%	16%	12%
	<b>"Balancing"</b>	<b>36%</b>	<b>54%</b>	<b>68%</b>	<b>84%</b>
	5	16%	16%	31%	24%
	4	9%	17%	28%	47%
	3	11%	20%	9%	13%
<u>Very Unstructured</u> (Based on creativity, instincts and innovation)	Bottom 2 Box	34%	17%	9%	4%
	2	15%	9%	7%	4%
	1	20%	8%	2%	0%

\*Four questions asked – Mark the button which best shows your company's current thought style for new products, the thought style that existed three years ago, expected thought style three years from now and ideal thought style.

#### **Creativity in New Products, A Reality Check**

##### Who was Surveyed

- 128 Consumer Packaged Goods Marketers
  - 23 Managers (from Associate to Senior)
  - 28 Directors (from Associate to Senior)
  - 47 Vice Presidents (from Associate to Senior)
  - 30 General Managers, Presidents or "Chiefs" (CMO, CEO,...)

##### Participants by Company Revenue\*

- 34 respondents <\$250 Million
- 20 respondents between \$250 Million and \$1 Billion
- 25 respondents between \$1 and \$5 Billion
- 39 respondents >\$5 Billion

\* 10 participants chose not to answer this question

##### Sample of Companies Represented

Abbott Laboratories	General Mills	Novartis	Spectrum Brands
Bayer	Hatfield Quality Meats	PepsiCo	Tate & Lyle
Church & Dwight	Heinz	Reckitt Benckiser	Unilever
Colgate Palmolive	Johnson & Johnson	Reebok	Welch's
ConAgra	Kraft	Robert Bosch	Wrigley



# Crafting Differentiated Products that Consumers *Buy*

## Marketplace Realities

However you measure it – whether by revenue or profit - the path to success for consumer product companies is through the consumer.

And today, consumers are exposed to more options than ever before with more manufacturers and brands competing for their attention and market share.

To succeed, differentiated products are needed to break through the clutter. Products that fulfill pragmatic needs and underlying emotional drivers can do just that - Swiffer, e.p.t and Pampers are great examples.

## WHOLE-BRAIN Brand Expansion Identifies Products Consumers Need and Want by Leveraging Left-Brain Pragmatism with Right-Brain Creativity

We consciously involve two specific perspectives in all of our projects in order to identify the biggest, and most profitable, growth opportunities:

1. Left-Brainers are needed to represent marketplace and business realities. Trained to assess, control and decide, they're realists with a mission. Their approach to problem solving is pragmatic and efficient.
2. Right-Brainers are driven by impulse and inspiration. They value satisfying relationships and new experiences. These people channel creativity and inspiration into new products. In short, they innovate.

## WBBE Projects have Different Starting Points

Our assignments usually stem from one of these three programs:

- FutureQuest – Defines a brand's product opportunities beyond a 12-month horizon. FutureQuest considers macro trends, brand equity & elasticity, and consumer behavior to identify long-term growth strategies.
- New Product Sprint – A program based on a brand's equity and either a specific technology or target audience, which leads to the identification and development of new products for launch in the near-term.
- Concept Construction – Begins with a collection of pre-defined product ideas that need to be fully developed in advance of consumer evaluation.

## Our Unique Approach Leverages Left-Brain Pragmatism with Right-Brain Creativity in Crafting Products Consumers *Buy*

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