



Dr. Ralf Mayer de Groot is one of the leading marketing researchers and strategists with 30 years of experience. No one does a better job of uncovering and explaining the hidden reasons of brand choice. Brands which used his superior insights have won numerous effectiveness and innovation awards. For more information and exiting case studies see www.mayerdegroot.com

John Mason has more than 30 years experience working in executive R&D and Consulting positions within MARS, PepsiCo and Intertek. He has led many product innovation and risk management teams in his career enabling sustainable (re-) launch successes of major household brands such as Doritos, Walkers crisps and Pedigree Pal. For more information see www.streamco.co.uk

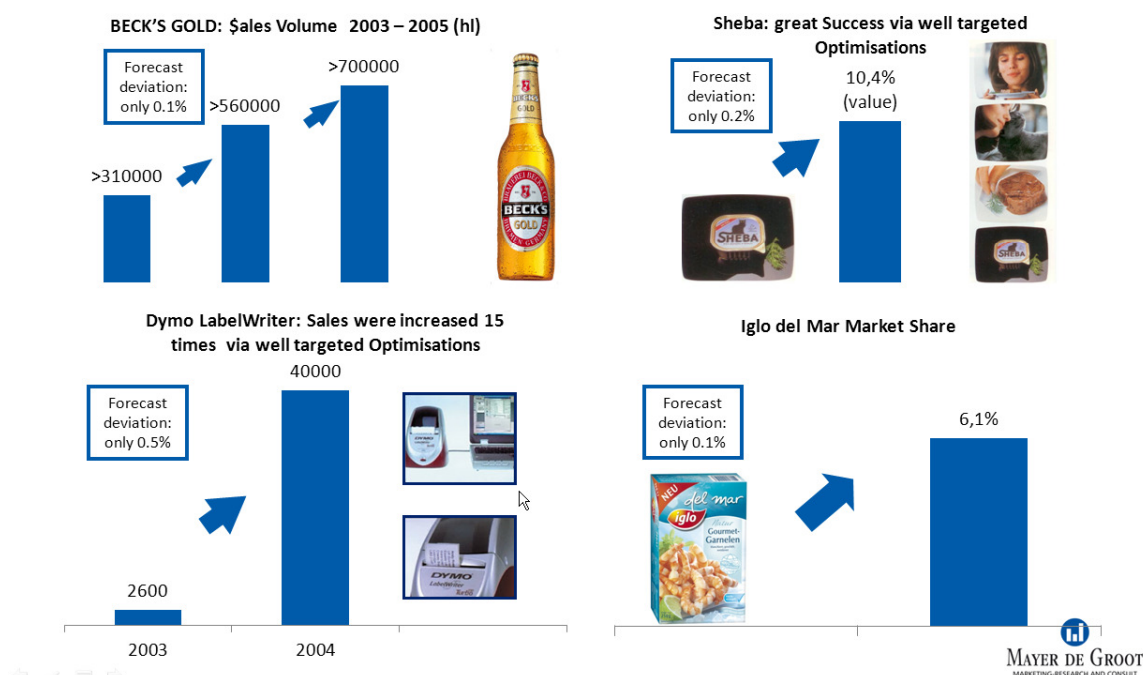
11 Things you need to know about Innovation

The buzz word „*innovation*” is often associated with great and quick success. Therefore companies often claim *innovative leadership* or announce *innovation initiatives*. - Of course companies must develop new products to grow, stay competitive and be profitable, but experience has shown that innovation is risky and costly. The great majority of new ideas never make it to market and those new offers that do enter the market place, face very high failure rates. Despite increasing attention to new product development (NPD), **the new product success rate has not really improved in the last 50 years** - despite significant scientific progress.

It may sound relatively easy to transfer a great creative idea into rapid and sweeping innovation success. However in reality this requirement represents a tremendous challenge for most companies. Of course new ideas have to be created, collected, evaluated and successfully executed – but there are many obstacles on that route to success. The following insights may challenge everything you have learned about innovation and we will reveal the secret weapons behind some of the most successful companies of recent years.

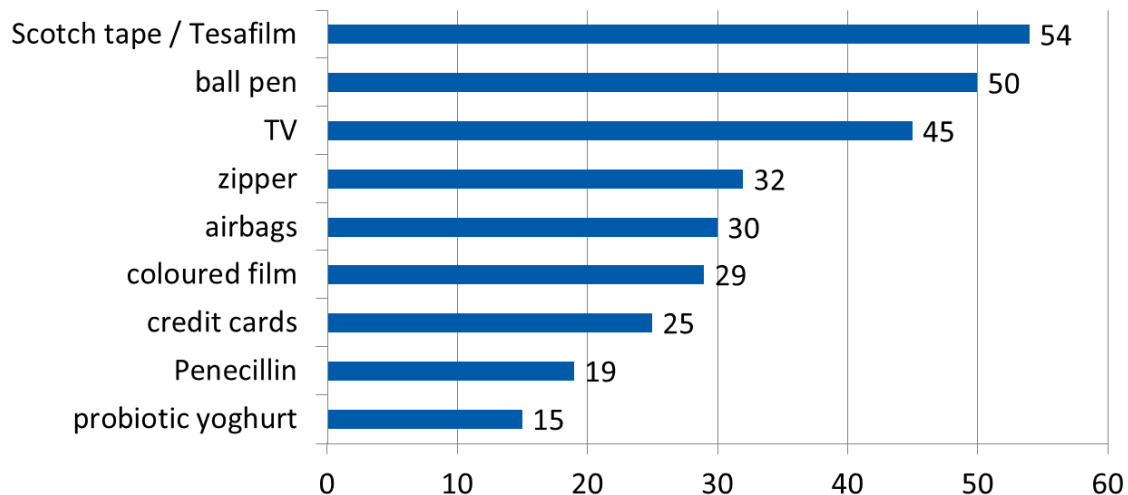
1. Breakthrough innovations are still rare. **Only 6 per cent of all innovations launched become a greater success. – 94 per cent do not.** - 73 per cent of all new product introductions end as flops within their first three years of existence. The cost of these failures in the U.S. market alone is estimated to be well over \$100 billion annually. The same is likely to be true across Europe. The main challenge is not really to identify innovation flops - but to identify those new technical, design or emotional ideas which have greater potential and can be further optimised and developed into greater successes. Without significant changes to the approach companies take to new product research and development failure rates most likely will continue at a very high level together with the associated high cost of failure.

Innovation Successes via well targeted Optimisations Validation of forecast accuracy



2. Contrary to wide held belief, truly new product or service ideas require often several years - if not decades - to become widely accepted. This was also true for “absolutely necessary” products from our actual point of view (see graphic). - Already the Nobel price winner J.M. Keynes has observed: *“The difficulty lies, not in the new ideas but escaping the old ones.”*

Duration until market success
starting from the year when the innovation could be realised



▶ Factual advantages are often not sufficient.
The right emotions have to be created!

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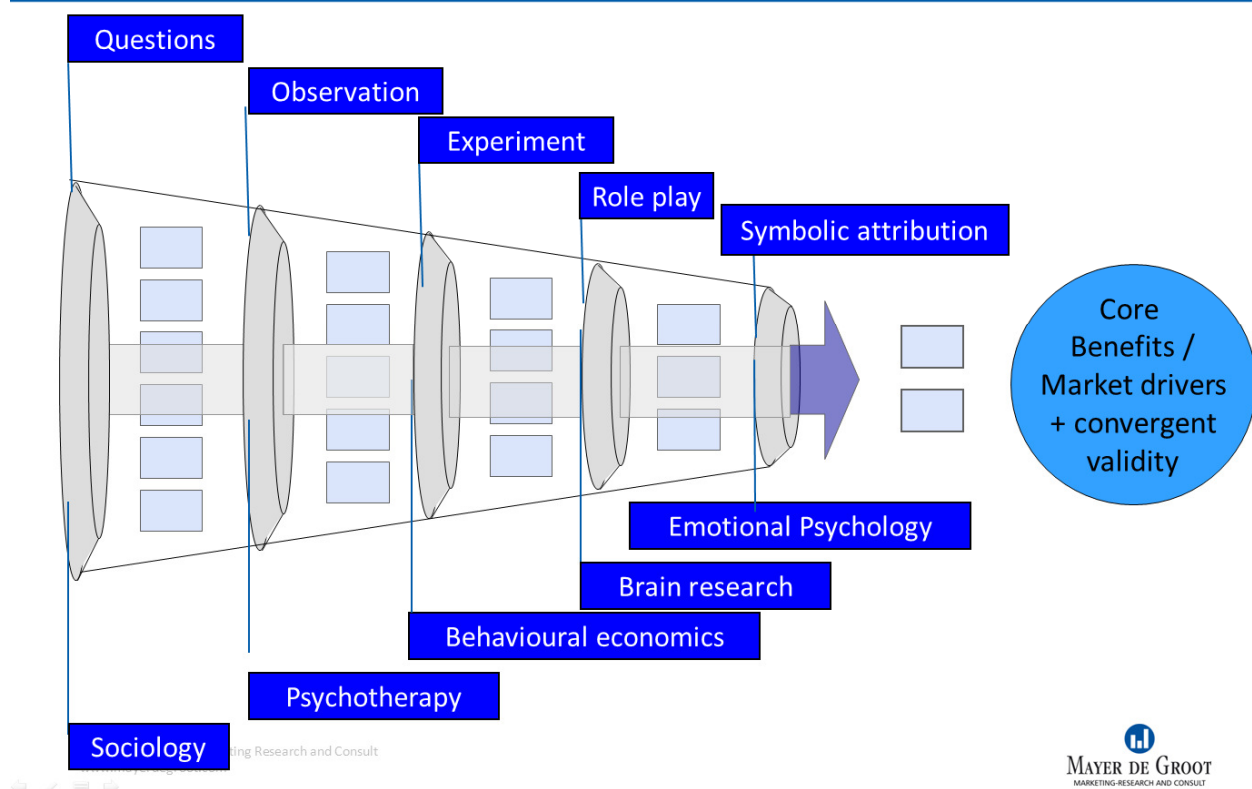
- Experience has proven that the majority of innovations initially fail due to emotionally or factually sub-optimal details. This can cause misperceptions with resultant rejection. Often the real benefits of innovative offers are not communicated well. Subconscious fears arising are addressed in the wrong way or relevant target groups struggle to understand how the new innovative offer will influence their everyday life.
3. Innovation, by nature, is risky and costly. Experience has proven again and again that great innovative ideas do not guarantee success. A large majority of new products never make it to market and those new products that do enter the market place face very high failure rates. According to Fraunhofer (2009), one of Germany's leading innovative organisations, 1919 initial ideas are required, in order to launch 52 new offers, of which again only 11 become sweeping successes. That means that **only 0.6 per cent of all initial promising creative ideas eventually live up to expectations.**
4. Also the wide held assumption that superior “objective” product quality will result “automatically” in success is wrong. Hundreds of products clearly won in tests of „Stiftung Warentest“, Germany's leading independent test organisation, and in tests of “Which” in the UK – but weren't bought subsequently in sufficient quantities to survive.
5. Despite the importance of later stages, it is increasingly recognised that successful new product development (NPD) strongly depends on the quality of the opportunity identification stage. The goal of this stage is to search for new opportunities, which typically involve unmet (“latent”) needs and unsolved problems of relevant target groups. – However, considerable experience and analysis have shown that all popular qualitative research methods yield well-intentioned but often unfitting and dreadfully misleading information that serve to de-rail innovation processes (Ulwick 2005; van Kleef, van Trijp, Luning 2004; Wind, Mahajan 1997).

Generally speaking, it can be said, that the real problem of qualitative market research is, that consumers or other stakeholders usually do not know exactly why they behave in a certain way. – Recent brain research and behavioural economics findings have proven that more than 95% of all human “decisions” are taken subconsciously. (Zaltman, Zaltman 2008, Ariely 2008, Gigerenzer 2007). – Stakeholders are therefore often unaware of their underlying choice criteria and aspirations in purchasing a brand or choosing one innovation instead of another offer. Accordingly they cannot tell us their motives or behavioural barriers precisely.

6. The solution to this dilemma is to “ask without asking.” This is the key strength of the projective Limbique Emotional Explorer (LEE) market research approach which incorporates - usually during 6 to 8 hours - a vast array of verbal and non-verbal methods adapted from neuroscience, psychology of emotion, behavioural economics, psychotherapy and sociology. Each LEE step or exercise provides a different opportunity and often perspective for gaining deep insights about consumers or other stakeholders. The use of multiple exercises also increases the likelihood of unearthing important insights that might be missed by more narrowly focused techniques. At the same time, each step provides validation from other steps, a process known as convergent validity. That is, redundancy adds confidence about the validity of the initially hidden insights which come to the surface. The LEE therefore provides a holistic approach to understand relevant target groups.

Projective techniques such as the LEE have been successfully used in more than 800 international marketing applications. Its insights generated sustainable competitive advantage and paved the way for outstanding successes such as Airwaves, Birds Eye, Dymo LabelWriter, Ferrero, Iglo, Kellogg, Langnese Creminissimo, Leitz, LEKI, Moët & Chandon, Novartis, Perfect Draft, Staedtler, WD-40, Weight Watchers and Wrigley / Orbit Extra.

The Limbique Emotional Explorer integrates the most important qualitative data gathering tools in one powerful instrument



7. If you google “innovation workshop” you will get more than 6.4 million links and if you would search for “co-creation” you will get 19.9 million links. So on the surface the creation of innovative ideas doesn’t seem to be a problem. But when it comes to innovation, the traditional creation methods are another root cause of chronic waste and missed opportunity. Five major reasons have been identified.

5 key reasons why innovation processes often do not live up to expectations



95% of all behavioural „decisions“ are taken subconsciously or emotionally – not rationally. However most innovation workshops and co-creation processes remain more or less rational .



Often participants are required to provide creative input in an unusual situation for them, without sufficient time for a „warming up phase“ which would allow to establish a feeling for the category and its usage situations.



Creation of relevant innovations usually require a lot of know how, which most customers do not possess.



On the other hand experts often lack new impulses, different perspectives and new insights in emotional motives and barriers for purchase, in order to change well established development routes or thinking patterns.



The freshest, most creative ideas are often *ground to dust* in time consuming conventional innovation development processes.

8. The **Innovadeep CoCreator**

The **Innovadeep CoCreator** is a proven effective and quick way to create innovative offers or additional growth opportunities for established brands.

The technique focuses on creative individuality instead of scientific anonymity. New insights, flexibility and spontaneity overcome established development and thinking patterns when experts and consumers (or other stakeholders) combine their creativity. Professional moderators motivate and use a wealth of inspiring techniques to help people get in touch with deeper motivations, hidden problems and barriers. Each **Innovadeep CoCreator** step or exercise provides a different opportunity and often perspective for gaining deep insights about consumers or other stakeholders. The use of multiple exercises also increases the likelihood of unearthing important insights and achieving creative problem solutions that might be missed by more narrowly focused techniques. The **Innovadeep Creator** therefore provides a holistic approach.

A **Innovadeep CoCreator** group usually requires six to eight hours including breaks in order to allow longer warming up, to generate new insights and to have sufficient time for creativity. Consumers or other stakeholder and experts conduct creative exercises together in several subgroups. Psychological it is important that members of the target group are in the majority in each subgroup. Participants find **Innovadeep CoCreator** groups to be challenging, intense, creative and rewarding. Spontaneous reactions of the target group can be directly observed, new ideas created and optimised. Creative solutions can be rotated for further fine tuning.

There is no “one workshop design fits it all” **Innovadeep CoCreator** project. Each workshop is tailored to meet specific objectives of the client.

The solution: The Innovadeep Co-Creator



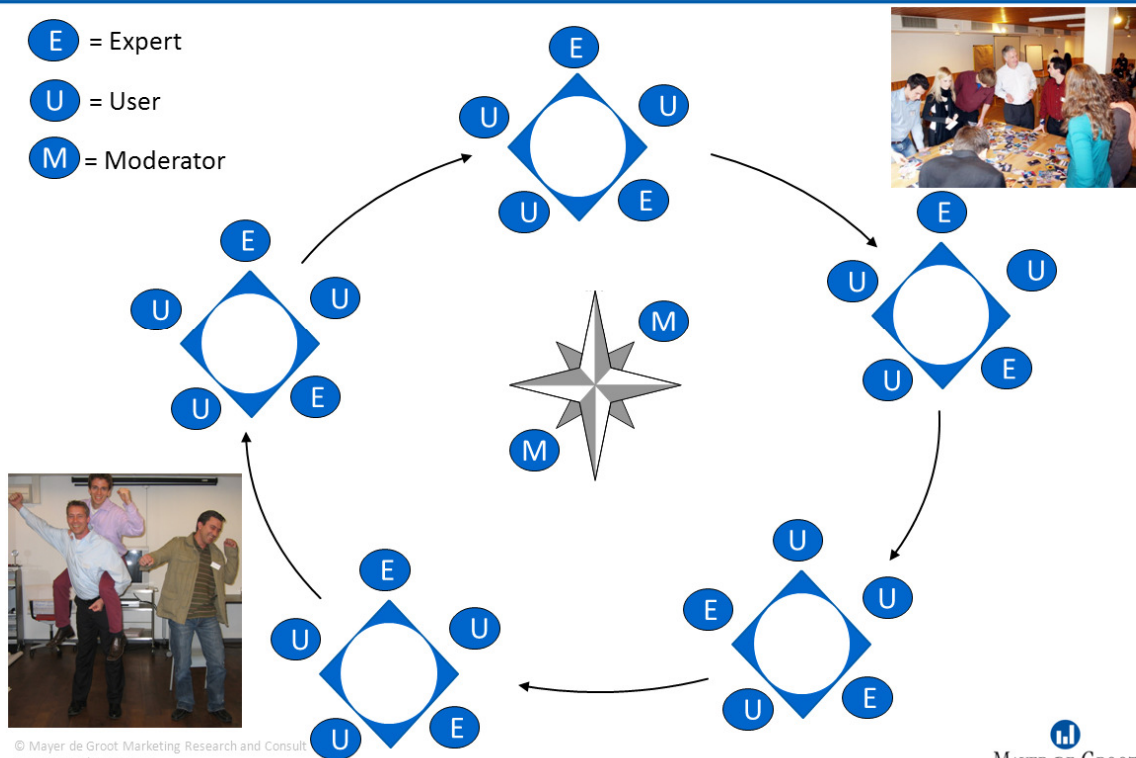
- Sufficiently long warming up phase, thus establishing situational and creative awareness for the category, new insights namely for emotional market drivers.
- Experts (client employees, external agencies / suppliers) and customers meet each other „at one table“.

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Source of left and right picture above: www.pixeleeio.de

Innovadeep CoCreator: The creative core: Productive Creativity & Cross Over Innovation



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9. Qualitative concept tests incorporating sequential analysis

Concept tests are widely accepted as a way to safeguard against unjustified investments, but considerable experience has proven that they often fall short in separating successful concepts from failures. Most concept tests tend to focus on the concept itself, but not on future market effects caused by the tested concept alternatives. They measure criteria such as uniqueness, attractiveness, believability, likes and dislikes etc. These questions are of course relevant and should be analysed. But the key objectives, the image and sales effects caused by concepts later in the market are often neglected or not predicted at all.

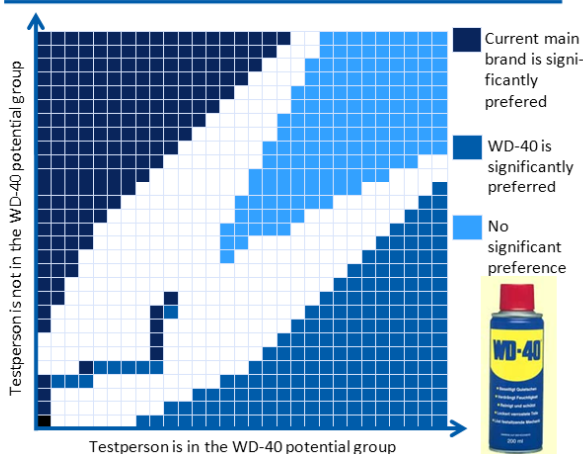
The key learning emerging from NPD performance analysis is that success is primarily determined by a unique and superior product in the eyes of the consumer. Individual customers use a simple bench mark for comparison: the actual brand most often purchased, thus reducing complexity. The current main brand offers individually the “best problem solution” of all known market alternatives. It determines which perceived combination of emotional benefits and factual features at what specific level satisfies optimally the individual need structure of all competitive offers specific respondents are aware of. – If real innovations are tested comparisons to current main brands may be not appropriate. Therefore in these cases we use a similar tough tool: a multivariate consistency check analysis.

To get a reliable indication of alternative concepts’ future market chances we use sequential significance analysis in combination with explorations or the Limbique Emotional Explorer (LEE). The sequential significance analysis is often also called “*significance trouser*” (because the statistical analysis schema looks similar to a pair of trousers.) The advantage of the sequential analysis is that it allows significant tests with a low number of respondents (often 30 respondents are sufficient). This is important if the interviews are expensive (eg. with experts, physicians) or only a limited number of concept samples are available. Bases are pair comparisons (eg. comparison of a new concept with the individual main brand or comparison between two alternative concepts). The “*significance trouser*” is used only by a limited number of experts which is partly due to the fact that it used to be a top US military secret.

In 2001 WD-40 had a market share of approximately 20 per cent in Germany. A “significance trouser” predicted at that time that WD-40 could achieve a market share of 50 per cent after a re-positioning. The prediction of the sequential significance test proved to be reliable. In 2007 WD-40 achieved a market share of 54 per cent with the new positioning – without any advertising support.

Significance Trouser – published Validation

Significance test result WD-40 in the year 2001 (Germany)



The *significance trouser* indicated a high WD-40 growth potential.

- Due to budget constraints only 18 craftsmen and actual competitive users were interviewed (double explorations before and after intensive professional WD-40 use).
- The midterm market potential of WD-40 was estimated to be around 50 per cent market share (using our „tough“ market simulation criterion).
- This proved to be true – even with nearly no advertising support.

▶ The *significance trouser* indicated a high WD-40 re-positioning success.
This proved to be true: WD-40 market share increased **from 20% to above 50%**!

10. Quantitative market simulation

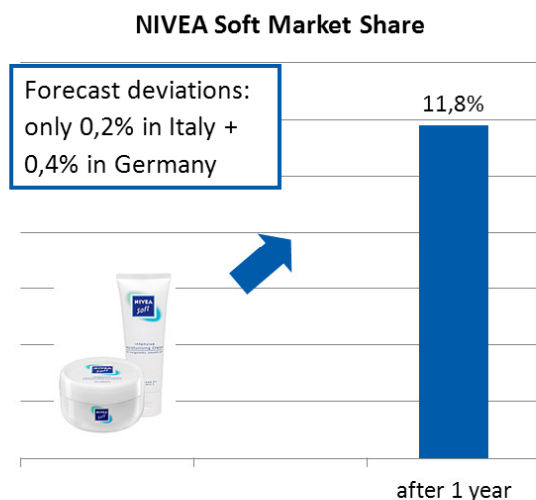
Given the fact that 73% of all launches per year end as flops and only 6% become larger successes, it is vital to predict the sales potential of your innovative ideas as soon and as reliably as possible. We have developed several tools to increase your speed to market at different stages throughout the development process based on the experience that great ideas often initially do not live up to expectations because some details have been solved sub-optimally:

- Concept-Sales Effect Test
- Product-Sales Effect Test
- Packaging and Design-Sales Effect Test
- Communication-Sales Effect Test
- Sales Effect-Market Simulation (for total marketing-mixes)

The diagnostic power of these tools is high as the following published case studies have proven. Deviations of predicted to real market values were only

- 0.1% in case of Beck's Gold
- 0.1% Iglo del Mar. (Birds Eye uses the Iglo brand name in Europe)
- 0.2% for Nivea Soft in Italy and 0,4% in Germany
- 0.2% for Sheba
- 0.3% for Milka Tender and
- 0.5% Dymo LabelWriter. These and other case studies you can read at www.mayerdegroot.com

A method is only as good as its proven forecast accuracy
in real market environments



- *"The fit between predictions and actual market results for NIVEA Soft were without doubt one of the best forecast results ever achieved by Beiersdorf using numerous different market simulation methods over the years."*
- *The predicted values deviated from real market values by less than half a market share point in Italy and Germany."*



Klaus M. Wecker, Beiersdorf-market research director, 1971–2002) Consumer (in planung & analyse 2001)

"The fit between Ralf Mayer de Groot's predictions and actual market results for NIVEA Soft were without doubt one of the best forecast results ever achieved by Beiersdorf".

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11. Concrete Optimization often leads to success

Experience has proven that the majority of innovations initially fail due to emotionally or factually sub-optimal details. This can cause misperceptions with resultant rejection. Often the real benefits of innovative offers are not communicated well. Arising subconscious fears are addressed in the wrong way or relevant target groups struggle to understand how the new innovative offer will influence their everyday life.

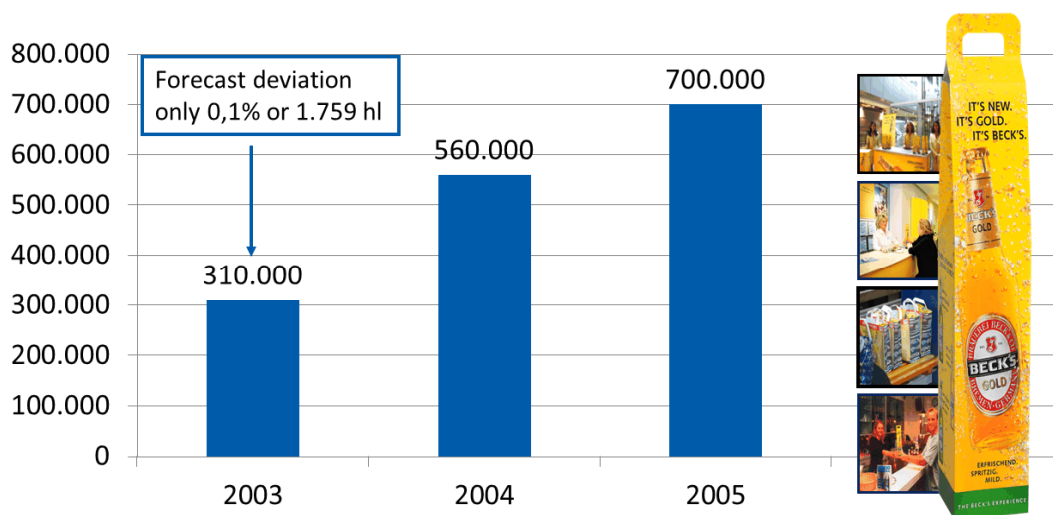
The diagnostic power of the Sales Effect Market Simulation Test System is high. These methods tell you why the growth potential of your innovation is not higher and indicate concrete actions what has to be done in order to improve the sales effect (e.g. which image dimension has to be improved). Using these indicated actions products and services have been developed into great successes which initially were or would have been failures or only small successes due to too small convinced target group sizes. Just to name a few examples:

- The concepts of BECK'S GOLD (a less bitter beer alternative in Germany) and NIVEA Soft were rationally well received. However, the existence of a huge emotional trial barrier in both cases was identified. Creative sampling activities were the solution. Without these relevant insights both products would have been less successful.
- The sales volume of Dymo LabelWriter was increased fifteen times using our optimization advice to full advantage. (new positioning, different cut of the same commercial film material, different copy)
- Iglo 4 Sterne Menü (4 Star menu) was initially an advertising flop. Using our optimization advice the product range achieved market leadership within 3 months – by the way with ten percent of the media budget previously invested. (same actors, improved execution)
- The sales effect caused by Iglo del Mar's advertising tripled.
- The otc product and market leader Lefax increased its sales volume by more than eighty percent in the first advertising month communicating a core market driver to full advantage.
- Ibutop achieved a sales increase of forty percent despite an advertising budget cut of 32 percent.
- Sheba became a great success after a change of its packaging size.
- WD-40 became market leader in Germany within 5 years after a recommended re-positioning. Its market share increased from twenty to over fifty percent – without advertising support.

A lot of companies perceive the diagnostic power of the Sales Effect Market Simulation Test System as another relevant key benefit.

BECK'S GOLD Success:

Volume Development 2003 – 2005 in hl



▶ The most successful beer brand launch in the last 50 years. Crucial was the insight of a huge trial barrier which was overcome by creative sampling techniques.

Summary

No growth without new ideas and innovative offers - this insight is widely accepted. The buzz word „*innovation*“ is often associated with great and quick success. However, the great majority of new ideas never make it to market and those new offers that do enter the market place face very high failure rates. The new product success rate has not really improved in the last 50 years - despite significant scientific progress.

Entrepreneurs and managers have been saying for years that their new product development processes should be consumer-oriented and market-focused. Of course, expressing a goal and fulfilling it, are not the same thing. Gaining a thorough understanding of current and potential consumer (or other stakeholder) is not easy, but it is essential to gaining and sustaining competitive advantage.

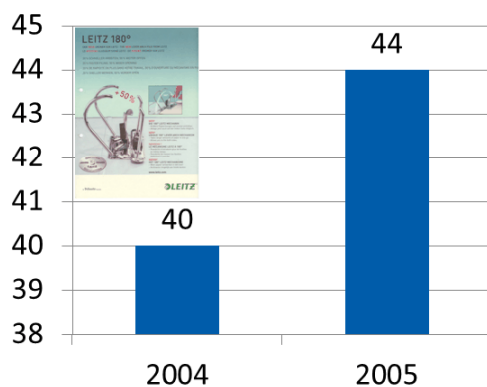
The success of innovations always represents a knife edge problem. You have only a chance for sweeping success if your new offer meets an emotional (and factual) need profile precisely and does not cause subconscious fears or barriers. R&D as well as marketing must know the real causes or motives behind purchasing behaviour as well as its barriers. The rest should be seen for what it is – a lottery. (The so called trial and error approach is rarely successful.)

An actual innovation survey came to a somewhat demotivating insight about the status quo: More than 80 per cent of all innovations were more or less created by accident. Not financial resources are the bottleneck, but the lack of reliable and systematic methods. In this publication we have revealed the secret weapons behind some of the most successful innovations of recent years. Most companies do not use yet their innovative potential to full advantage. The future belongs to those who see possibilities before they become obvious and who effectively marshal resources and energies for their attainment or avoidance.

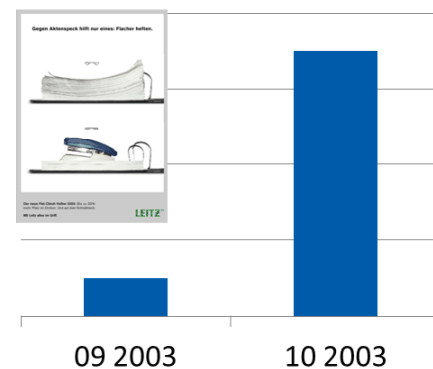
Sources and references you can get at mdg@mayerdegroot.com

Innovation can generate quantum leaps even for well established products

LEITZ 180 degree arch file
Sales in million arch files



LEITZ Flatclinch: 30% flatter clinches
convinced relevant target groups



The innovative 180 degree arch file achieved already in the year after the launch an 80% share of all Leitz arch files (after 100 years).

Our Expertise additional case studies



- Success with a new problem solution:
- *Easy Gourmet* spice sprays
- for individual spice adjustments



- Kathi, the „East-German cake wonder“
- had trade distribution problem in the West. Solution:
- innovative products as Football- and Händel cake



- After numerous failed attempts
- the 1. successful beer draft equipment at home.
- The success succeeded the production capacity in the 1. year.

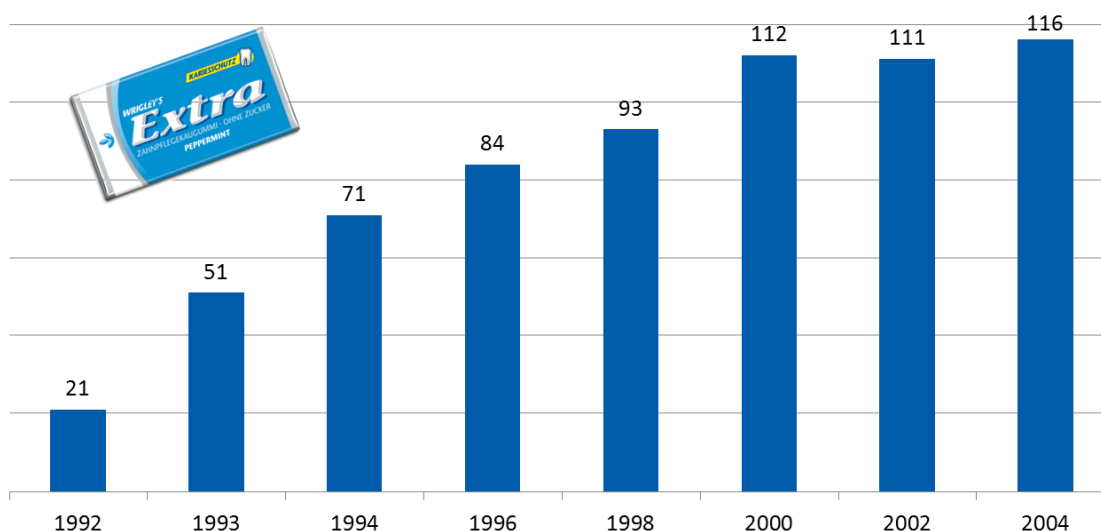


Better consumer insights are a key competitive advantage.

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Wrigley Extra Turnover Development in Germany



The launch of WRIGLEY'S Extra® in Germany as a forerunner to subsequent international launches (Orbit Extra, Freedent) was based on a market segmentation insight.

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