New Products and The Pivotal Consumer

Finding the Buyers Who Drive Product Launch Success
INTRODUCTION

Top-selling new CPG products depend on extremely small consumer concentrations to drive sales volume. These top buyers will make or break your product launch. So how can you find your high-value consumers? Read on.

It’s no secret that launching a successful CPG product is difficult, even in the best of times. Most of us are familiar with the SymphonyIRI Pacesetters report, which perennially shows that there are precious few blockbuster products launched each year. (Less than 2 percent surpassed revenues of $50 million in 2010). However, in this report, our goal is to examine the consumer dynamics behind the product launches that do succeed.

While there are a variety of success factors for any new product, finding and motivating buyers are always high on the list. To assist CPG manufacturers, brand managers and retailers in this effort, Catalina recently examined the consumer purchasing dynamics surrounding 25 of the top new product launches of 2010 across a variety of departments, including frozen foods, boxed dinners, dairy, bakery, snacks, and beverages. Our study is based on a full year of product sales following each launch as observed within 20,000 food, drug and mass stores, representing a portion of the Catalina Network.

Key Report Findings:

Sales came from narrow audiences.
- Just 1.5 percent of shoppers made up 80 percent of volume for the average new product in this study.
- These shoppers were worth 1.6 times the value of the average new product buyer.

Top brand and category buyers were most valuable.
- Top category buyers were 3.8 times more likely to try a new product than the average shopper.
- Top brand buyers were 5.8 times more likely to try a new brand extension in the category.
- Top category and brand buyers repeated at a significantly higher rate, 19 percent and 28 percent greater than average, respectively.

Cannibalization is a real factor.
- For the average brand extension, 27 percent of purchases cannibalized existing brand sales.
- However, existing brand buyers contributed 36 percent to new product sales, even after accounting for cannibalization.

THE TARGET IS SMALL

Just 1.5%, or 1 out of 67 shoppers, drove 80% of sales for the average new product tracked in this study.
The Target Is Small, The Stakes Are High

Just 1 out of 67 shoppers was responsible, on average, for the success of 25 of the top CPG new products launched in 2010. Said another way, for the average new product in this report, only 1.5 percent of shoppers drove 80 percent of product sales during a 12-month window following their launch. (See Fig. 1, p. 1)

Even for the two biggest selling new products tracked in the study, line extensions for an enhanced water beverage and a Greek yogurt, just 1.4 percent and 2.7 percent of shoppers, respectively, accounted for 80 percent of sales. (See Fig. 3, p 4)

Finding Your Most Important Consumer

So who are the consumers who really matter to the success of a new product launch? How can brand managers and retailers find the most likely triers and repeat buyers of their new products and brands?

Top brand buyers are almost 6 times more likely to try new products from the brand than average shoppers.

This study shows that existing category and brand buyers typically make up the great majority of purchases for new products, and that top category and brand buyers are dramatically more likely to try a new product than average shoppers. Once they try, they’re also significantly more likely to purchase again.

The trial rate among top category buyers was 3.8 times that of the average shopper for the 25 products reviewed in this study. Once these top category buyers made a new product purchase, their repeat purchase rate was 19 percent greater than the average new brand buyer. Top category buyers were defined as consistent shoppers who in aggregate accounted for 80 percent of total category sales across the study group during the year prior to a launch in that category.

The Cannibalization Factor

On average, 27% of new brand volume was cannibalized as franchise buyers shifted dollars to the new brand. However, these same franchise buyers still contributed another 36% toward total new brand sales by shifting dollars from the competition and/or by growing their category consumption.
Among the 17 product line extensions tracked for this study, top brand buyers were 5.8 times more likely to try than the average shopper, and they had a repeat purchase rate that was 28 percent more than the average for all new brand buyers. (See Fig. 4, p. 5)

THE CANNIBALIZATION FACTOR

The issue of cannibalization always clouds the role of existing brand buyers in the success of new product line extensions. To what degree are sales to these brand buyers offset by reduced purchases of existing products within the brand?

To uncover the answer, we compared the purchases of existing buyers the year before and the year after the launch of the seventeen product line extensions.

42% of new product purchases by existing brand buyers cannibalize the parent brand.

On average, 42 percent of all new item dollars from existing brand buyers were shifted from other brand products. In other words, almost half of all existing buyer purchases cannibalized the parent brand. Yet, these buyers still played a huge role in driving brand sales: they accounted for 63 percent of total new brand sales, or 36 percent after accounting for cannibalization. In other words, over one-third of new brand sales came from current brand buyers growing their total category spend and/or shifting dollars from the competition. (See Fig. 2, p. 2)

Take the two top product line extensions in our study, an enhanced water beverage and a Greek yogurt. For the enhanced water, existing brand buyers accounted for 62 percent of all sales, or 37 percent after accounting for cannibalization. For the Greek yogurt, existing brand buyers accounted for 43 percent of sales, including 27 percent after cannibalization. (See Fig. 5, p 6)

USING SHOPPER DATA TO LAUNCH NEW PRODUCTS

In today’s world of proliferating brand and product choices, marketers must become more precise in the way they reach and communicate with the small concentrations of consumers who determine the success of new products. Fortunately, shopper data and buyer segmentation are powerful tools for understanding and targeting the consumers most likely to buy new products.

As this study shows, heavy category and brand buying are strong indicators of the likelihood a consumer will try and repeat. Shopper data, however, can also help advertisers precisely target consumers around other purchasing patterns, such as green and heart-healthy buying, when these factors align with new product attributes. For example, a brand manager launching a new green product line extension could increase share of requirements among heavy category spenders by targeting high-value shoppers who have mostly bought the competition but are buying green products in other categories. Such precise targeting can deliver strong results against specific business objectives for new products.

CONCLUSION

Very small consumer concentrations drive the success of new CPG brands and brand extensions. They represent a tiny, highly valuable audience that is difficult to reach efficiently through traditional media like television and FSIs. Indeed, the 1.5 percent of shoppers who drive 80 percent of sales for the average new product are worth 64 percent more per capita than the average shopper who tries the brand.

These findings argue for new, more focused marketing approaches, such as purchase-based targeting, to engage the buyer audiences that drive successful product launches. Reaching specific purchasing segments, such as heavy category and brand buyers, and knowing what they need to hear based on their preferences, can substantially increase your odds of success.

If you’re interested in learning more about shopper data and purchase-based targeting and their role in successfully reaching your most valuable consumers in-store, online and via mobile, talk to your Catalina Brand Development consultant or call us at 1-877-210-1917

METHODOLOGY

Catalina maintains a three-year purchasing history of approximately 75 percent of American shoppers across some 28,000 grocery, drug and mass retail stores. It has the capacity to deliver targeted advertising and offers to individual shoppers based on buying behavior, as well as reach specific consumer audiences online using purchase-based audience segmentation.

For this study, we analyzed two years of purchasing behavior for some 41 million US consumers at approximately 20,000 stores in our network. All consumer purchase data came from consistent shoppers who shopped at least twice in every eight-week interval within the retail chains during all study periods. Trial, repeat, and cannibalization metrics were time-aligned to 52 weeks prior and 52 weeks following product launch in the Catalina network. To identify the 1 in 67 shoppers who drove 80 percent of volume, we used the 52-week period ending 12/18/2011 to ensure all brands were fully rolled out across the country.
PIVOTALS ARE FEW – EVEN FOR TOP SELLERS

Even top selling new products rely on very small consumer concentrations for their success. An enhanced water beverage and a Greek yogurt were the two biggest selling products tracked in our study, but 80 percent of their sales came from just 1.4% and 2.7% of shoppers, respectively.

1.4% = 80% of sales

2.7% = 80% of sales
INCREASING THE ODDS

Top category shoppers—those who account for 80% of category sales—and top brand buyers—those who account for 80% of brand sales—have significantly higher trial and repeat rates relative to average shoppers.

**TRIAL**

- Avg. Rate: 1
- Top Category Shoppers: 3.8 X
- Top Brand Buyers: 5.8 X

**REPEAT**

- Avg. Rate: +19%
- Top Category Shoppers: +28%
SEGMENTATION FOR TWO TOP SELLERS

This chart shows where sales came from for two of the top selling product line extensions in our study, an enhanced water beverage and a Greek yogurt.

- 11% Non-Franchise Category Buyers
- 37% New to Category
- 27% Brand Buyers: dollars from category growth or shifted from competition
- 25% Brand Buyers: dollars cannibalized from franchise brands
- 8% 49%
- 16% 27%