

pointofview

Moving Past the **Tweak** to **Uncover** the **Optimal**

Maureen Evans

Senior Vice President, Ipsos Marketing

Ashley Ericksen

Vice President, Ipsos Marketing

Josef Zach

Director, Global Product Testing



GAME CHANGERS



The Quest for Optimal

Maximizing consumer delight has always been a top priority for any product manufacturer, resulting in a critical need for ongoing innovation married with endless product modifications. Yet, while a priority, it continues to be increasingly difficult to steal share or truly differentiate oneself versus competition within an existing and/or niche category. Unfortunately, reactive versus proactive research has become more of the product testing norm, with endless rounds of formula ‘tweaking’ versus the prescriptive pursuit of a farther out, more differentiated optimal product.

In today’s ever changing marketplace, the desire to differentiate, maximize consumer acceptance, and ultimately shine is easier said than done. R&D, Marketing, Insights, Sales and Innovation teams are charged with multiple objectives and are constantly faced with a deluge of difficult and quite often fragmented questions from their management:

- How are we performing relative to competitive products, some of whom are small, niche brands?
- Are there white space opportunities – where and how can we innovate?
- We are a global company - how can we most efficiently harmonize the product formulation globally, while being sensitive to market specific desires and manufacturing challenges?
- Does a “gold standard” product profile exist in this category?
- What are the drivers of liking in this category upon which we need to successfully deliver?
- What are less influential characteristics that perhaps can serve as cost savings opportunities?
- We’ve lost our position in the category. What are we doing wrong? What do our consumers want?
- We’re breaking into a new category. What can we learn from current landscape to drive strategy?

And, those are just to name a few. The reality is we now live in an age where we do not have the luxury of tackling these objectives in isolation. The goal to maximize product acceptance is often balanced with vying objectives, many of which can lie in direct opposition to each other. For example, while Marketing and product developers are being asked to deliver differentiated products, they may simultaneously be asked to identify opportunities to save costs, improve margins, or possibly achieve sustainability/BFY initiatives. When we factor in the influences of a global marketplace, global segments, and a desire for global harmonization, the task becomes even more complex. And, even more expensive.

Invest in Exploration, **not** Iteration

Faced with expedited timelines and tightened budgets, many teams feel compelled to attack these varied objectives with smaller scaled product tests that answer individual questions – but these often fail to address the bigger picture. Too often the research fails to provide long-term strategic insights that can drive their business forward.

What happens as a result is that teams get caught in the dreaded ‘test and tweak’ trap: in this situation, new or modified formulations are created that hopefully align with one or more of the objectives (e.g., improved formulations, cost savings, harmonized formulas), they are evaluated by consumers and if action standards are not met, additional rounds of modifications and consumer testing are required.

And while these individual tests may meet very specific objectives, they lack synergies to address some of the organization’s most critical goals (e.g., identifying the explicit drivers of acceptance along with potential candidates for cost savings). This cycle can have tremendous implications for an organization’s time, money, and resources – with perhaps little to show to senior management. Ultimately, much of the forward progress made can feel incremental rather than breakthrough.

So, if iterative tweaking is not the solution, how can an organization successfully and efficiently identify how to be more differentiated and therefore competitive in the marketplace – whether that is through quality improvements, cost savings, harmonized formulas or all of the above?

Underlying all these varied questions and objectives is the need for teams to obtain foundational and strategic knowledge of the products in a category(s). It is not merely about product performance at later stages of the product development lifecycle – it’s about using products themselves as the foundation for understanding how to move innovation and renovation strategies forward and closer to opportunity.

Teams must understand the underlying drivers of categorical liking in order to identify relevant product improvement opportunities, and also to identify meaningful gaps in the sensory space that can start them on their journey for identifying new product ideas.

Establish a Relevant Foundation

We strongly believe that this journey into opportunity must always begin with a foundational understanding of the products (or more generally, sensory profiles) that comprise a given category to uncover what consumers like and don't like, as well as to identify potential space indicative of future opportunity. Smaller scale 'test & tweak' product tests should be replaced with more strategic product research through which one obtains consumer reactions to a variety of products in a given category (or perhaps multiple related categories).

This appraisal of one's category can uncover strategies for innovation & growth – yet similar to other foundational research (such as an A&U), it can also serve as a building block for more strategic product innovation research including:

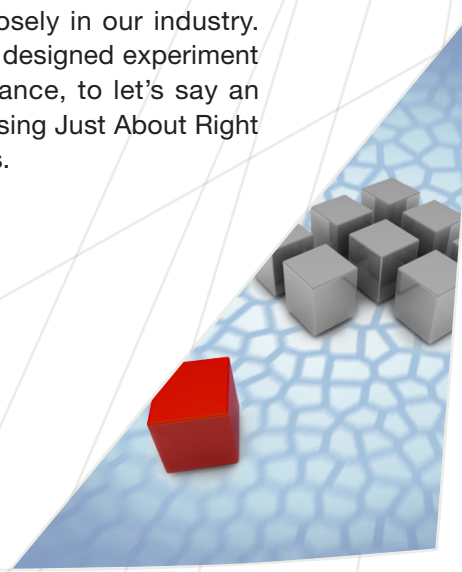
- ✓ Mapping the category landscape
- ✓ Identifying an optimal product 'recipe'
- ✓ Identifying in-market product benchmarks to guide R&D efforts
- ✓ Identifying physical product characteristics that drive opinion
- ✓ Estimating levels of opinion associated with an optimal product profile

Ultimately, it is this breadth of the product space and corresponding evaluations that provide teams with the deep and necessary understanding of the categorical landscape that drive strategic, innovative product development.

Bridge Exploration with Product Optimization

The consumer ratings are used to profile products, which then serve as the basis for assessing differences, strengths, and weaknesses of each. However, the most powerful way to use these data are as input to Product Optimization in order to efficiently and systematically identify the product characteristics that have the most explicit influence on driving consumer overall acceptance.

Admittedly, Product Optimization is a term used loosely in our industry. It comes in many flavors and forms – from a focused designed experiment where 2 - 3 ingredients are manipulated in accordance, to let's say an Equiradial Design – or it can be far simpler, such as using Just About Right scales to indicate potential modification opportunities.



Our definition of Product Optimization lies somewhere in the middle. As the world's largest product testing organization, our team of Sensory experts, statisticians and product developers has a proven legacy of linking consumer ratings with independent technical data in order to systematically derive an optimal product profile.

But even more importantly, we know the power of combining these two data sources; the prescriptive nature by which we collect, integrate, and analyze these data are what moves you past the never-ending tweak trap and into the space of differentiation.

With that being said, independent technical data are both a required and essential component to our Product Optimization approach. Not only do they provide stability to the modeling, but they yield insights in the technical language and/or descriptors of R&D, allowing teams to effectively and quickly implement product modifications.

Examples of independent technical data include:

- Analytic: Instrumental measurements of viscosity, gas chromatography
- Descriptive: Aroma, appearance & texture from a trained panel
- Nutritional: Fat, calories, sodium, carbohydrates, proteins, etc.
- Ingredient Statements: Grams of sugar, fiber etc.

Product Optimization typically includes 3 core steps, each linking to a key business objective:

1. **Segment consumers** on overall consumer acceptance ratings to identify potential segments that desire different product profiles. Insights can be leveraged for portfolio discussions and/or the identification of opportunities that yield broad appeal across segments.
2. **Visualize the landscape** via a perceptual map to a) profile products and identify strengths & weaknesses, b) identify the opportunities, and c) determine product redundancies that may exist in the marketplace.
3. **Model consumer acceptance** via independent technical data. The modelling process uncovers an optimal profile for the total sample as well as for each meaningful segment. The Ipsos product simulator allows our clients to create virtual prototypes, calculate the predicted liking on each of these and balance the increase of consumer liking against business and resource priorities. This means our clients can reach competitive performance targets at controlled resource spending.

The information obtained from these 3 steps can provide tremendous insight into opportunity, yet we're constantly asked from clients around the globe 'how do I connect what I know now with what I should do next?'.

Connecting What's Now to What's Next

Again, these core steps provide essential guidance for the journey, yet our experience has shown that there are additional, critical decisions & approaches that connect and elevate insights to the next level.

First, careful and strategic selection of the products for the consumer evaluation phase is essential for conducting a successful Product Optimization – all subsequent insights and learnings will be in the context of this product space. Understanding a product's standard of identity and category are keys to successfully exploring and optimizing within the space of interest. Pushing the limits too far (e.g., including white bread when seeking to optimize wheat) or not stretching them enough can be detrimental to a research plan.

Sensory differentiation should be the main criteria for selecting products: products should span the sensory space and exhibit noticeable (to consumers) differentiation on key dimensions. If “holes” are discovered in the sensory design space, there can be an opportunity for R&D to specifically design prototypes filling in the empty space(s).

Admittedly, business and marketing objectives will also play a role in product selection as teams will desire evaluations of their own products and key competitive products. Yet, for maximum differentiation of products, the selection of additional products to meet business needs should be kept to a minimum, especially if the product profile shows minimal differentiation from other products selected.

Client workshops are an effective approach for product selection where cross-functional teams can inform the process while leveraging descriptive analysis from a trained sensory panel aids to ensure the products truly stretch the sensory space and limit redundancies.

The modeling process must begin with thorough data cleaning and a systemized process for isolating the most differentiating technical variables. Many products can be characterized or described by 50, 100, or even more technical variables. It is critical that noise in these data is removed as it could potentially “cloud” subsequent steps of the process and result in teams allocating time and resources towards less impactful characteristics.

Once data are thoroughly cleaned, the modeling must take into account the complex relationships that inevitably exist among the technical characteristics and consumer acceptance. It should therefore go beyond linear relationships, paying special attention to quadratic relationships as well as interactions. Similar to the data cleaning, diligent modeling is essential to ensure the team is focusing on the most impactful variables, but also to understand the implications any changes might have on other characteristics of the product – and what those changes might look like.

Finally, we understand that the modeling must be communicated to organizations in a dynamic, flexible manner. The goal of Product Optimization is to identify that one, “best” product formulation: the key technical variables that define it and the levels of those variables. Essentially, this acts as a “recipe card” for success.

But, in our experience, we know that optimal is not always realistic or achievable for all organizations. There may be cost, ingredient, or timing constraints that impacts how close a team can get to “optimal”. Therefore, the results are best delivered in the form of a dynamic, interactive simulator. This interactive simulator allows the user to manipulate the levels of the variables in the model and, in real time, see the impact on predicted liking.

This is incredibly powerful as it allows the product developers to create virtual prototypes and simultaneously note the impact on liking when key characteristics are modified. It is especially powerful if the aforementioned cost, process, or ingredient constraints limit the team’s ability to achieve the optimal profile.

The use of a dynamic simulator also enables and encourages an iterative yet virtual approach. The identified key drivers of acceptance and their optimal levels are often discussed directly with R&D in order to determine strategic yet realistic next steps. Specifically, this discussion leads to translation of identified technical characteristics into ingredient and process parameters which need to be changed in order to maximize liking in the relevant consumer segment.

Invest Early, Differentiate Often

We know that winners are hard to come by. Yet by investing early in strategic and prescriptive research, you have a greater chance at succeeding in-market. It's by tackling the challenge of effectively linking consumer acceptance with independent technical data and virtual simulation that will enable you to maximize consumer acceptance and achieve sustainable product differentiation in-market.

We also know that tweaks are inevitable given the ongoing economic pressures and organizational challenges your teams face. Yet Clients around the globe effectively wasted 2.3 mm on research last year by testing products that were too similar in nature, not differentiated from competition, did not maximize consumer acceptance and/or did not realize a targeted cost savings.

Our efficient and systematic approach to Product Optimization enables you to connect what's now to what's next by bypassing several rounds of unnecessary testing by dynamically & systematically manipulating only the most explicit drivers of consumer acceptance. Our ultimate goal is to save you time and money so you can focus on creating products that are truly innovative and differentiated while maximizing ROI.

We know that investing in Product Optimization at the earliest stages of development is a globally proven way of escaping the test and tweak trap – helping to start you on your journey to uncovering the next big opportunity. Simply put, it's really smart research, allowing you to pinpoint the optimal product formulation and, even smarter, enabling you to predict whether or not that formulation will succeed in-market.

Want to learn more about how we've helped others uncover their optimal recipe for success? Contact us with questions or for case studies detailing how clients have used Ipsos' Product Optimization approach across various product categories around the globe. Let us help you connect what's now to what's next!

Maureen Evans

Senior Vice President, Ipsos Marketing
1.312.526.4751
maureen.evans@ipsos.com

Ashley Ericksen

Vice President, Ipsos Marketing
1.312.526.4216
ashley.ericksen@ipsos.com

Josef Zach

Director, Global Product Testing
49.89.99600.1180
josef.zach@ipsos.com

ABOUT IPSOS

Ipsos is an independent market research company controlled and managed by research professionals. Founded in France in 1975, Ipsos has grown into a worldwide research group with a strong presence in all key markets. Ipsos ranks third in the global research industry.

At Ipsos we are passionately curious about people, markets, brands and society. We make our changing world easier and faster to navigate and inspire clients to make smarter decisions. We deliver with security, speed, simplicity and substance. We are Game Changers.

With offices in 87 countries, Ipsos delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management.

Ipsos researchers assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media and they measure public opinion around the globe.

Visit www.ipsos.com to learn more about Ipsos' offerings and capabilities

GAME CHANGERS

