
Does Byron Sharp's Philosophy Work for Innovation?

Helen Wing | Lee Markowitz



Can marketers use Byron Sharp's principles to help them launch successful innovations?

In his book, *How Brands Grow: What Marketers Don't Know*, Byron Sharp outlines a theory about brand marketing and offers marketers several rules to follow to achieve brand growth. Specifically, Sharp asserts that it is penetration growth and not loyalty that is critical to brand success. While Sharp's advice focuses on how to grow existing brands, marketers should be asking if his principles apply to new product development as well. In other words, can marketers use Sharp's principles to help them launch successful innovations?

By definition, a new product does not have an existing buyer base at the time of launch and therefore the arguments about the relative merits of customer retention vs. acquisition do not apply. Likewise, an innovation does not have a memory structure in the minds of consumers – unless it is a line or brand extension, in which case a memory structure may be inferred from the parent brand.

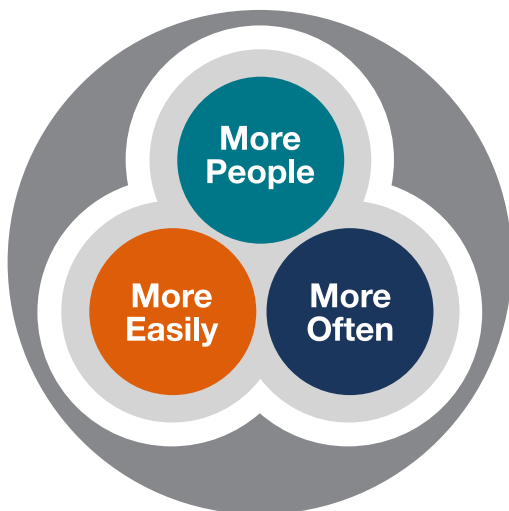
However, given the high proportion of new product launches that are either a line or brand extension, we can make logical connections as to how several of Sharp's principles should apply to innovation.



1. Sharp says penetration is much more important than frequency for growing your brand

At Ipsos, we certainly agree that penetration growth is key to brand growth. However, we argue that **whilst penetration is important, frequency also is important**. In our opinion, brands that grow are brands that are chosen by more people, more easily and more often.

Existing customers have an important role in brand growth (or decline) via increased frequency or value of purchase. Our R&D shows **existing customers** contribute around **25.2%** to the growth of brands generally and **24.8%** to their decline.¹



When it comes to innovation, penetration – or trial in the first year after launch in the context of a new product – is critical to a new product's success. Our key performance indicator for innovation testing is a Trial Index based on our proven success measures of Relevance, Expensiveness and Differentiation. Trial enables us to predict the number of consumers likely to purchase the new product and from that the likely sales volume. As such, Trial or Penetration is an important indicator of likely success in market.

¹Ipsos Laboratories R&D 2016

When considering whether a new brand or line extension should be launched, it is important to consider the positive impact the launch may have on the overall brand rather than considering it in isolation. In other words, what is the potential for brand growth?

As illustrated to the left, our point of view is that brands that grow are chosen by more people, more easily, and more often. Therefore, to make the right decision about which innovations to launch, we need to understand not only the potential size of the new product in terms of sales but also **whether it can grow the brand**. This could be the result of either encouraging more customers into the brand or driving existing customers to buy the new product in addition to other products within the brand portfolio – in other words, *increase frequency*.

To answer this question, we not only provide an indication of overall potential via our trial index within our concept testing approach but also some additional key performance metrics:

1. A **penetration** growth index which indicates the proportion of buyers of the innovation that are new to the brand
1. An **incrementality** index which shows the volume growth potential coming from the innovation benchmarked against the extent to which you are stealing volume from the parent brand more or less than expected.

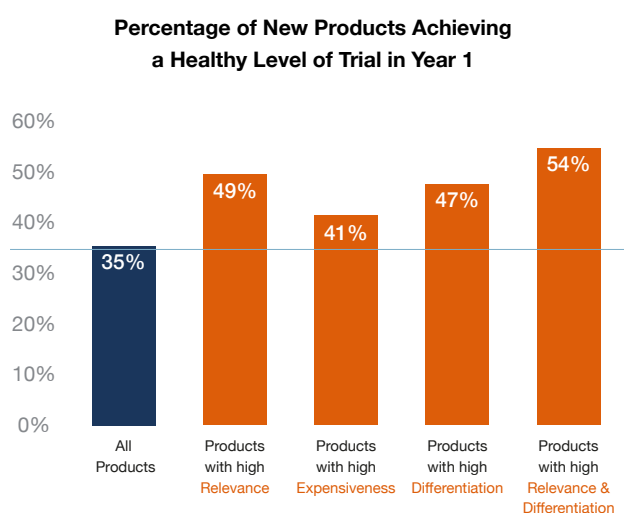
In summary, whilst we agree with Sharp that penetration is a key route to growth it is not the only route. Innovation testing must provide an indication of the likely trial for a new launch but it should also be able to demonstrate the incremental opportunity in terms of both volume and brand penetration.

2. Sharp says distinctiveness is key and differentiation is far less relevant

At Ipsos, we agree that distinctiveness and differentiation are not the same thing. Differentiation is a unique benefit or reason to buy, while distinctiveness is a brand's unique identity.

Moreover, we agree that distinctiveness, and not differentiation, is key to an *existing* brand's success as it helps a brand stand out from the competition and get chosen. However, for new product trial, differentiation is more important than distinctiveness. While distinctiveness can help a new product to succeed (e.g., through distinctive packaging elements that help the new product get noticed on the shelf), differentiation has been proven to be a major driver of trial for a new product and contribute to Year 1 sales (See *Figure 1*.)

Figure 1



Based on data from Ipsos' Designer Forecasting Database.

Examples of innovations with strong differentiation would be Red Bull energy drink and Mio Liquid Water Enhancer when they were first launched. In fact, ignoring differentiation when evaluating innovations can lead to wrong decisions. The Swiffer mop initially performed poorly; it was unique but had poor believability. Understanding the importance of differentiation, P&G iterated the communication until they got it right and the innovation became a major success.

Whilst it is imperative to achieve differentiation for a new product at launch, like Sharp, we recognize that it can be hard to maintain this point of difference as a brand matures and other brands replicate its benefits. Distinctiveness therefore becomes the more important factor over time. Think about the distinctive red color of Coca-Cola, the Nike swoosh symbol, and the triangular shape of the Toblerone chocolate bar.

With distinctiveness key to an innovation's long-term success, we need to evaluate the strength of a new product's potentially distinctive assets – e.g., logo, packaging, tagline, etc. – throughout the development process. This can be done with specific screening tools such as our Tinder-inspired swipeable pack screener or by ensuring that diagnostic modules are included in concept testing to understand not only the strength of key concept claims but also packaging assets.

In conclusion, Sharp's point about distinctiveness cannot be universally applied to innovation. The link between differentiation and trial is well proven and as such must be a key consideration when developing new products. It is also important to consider distinctiveness over time as competitive launches can then erode your point of difference.

3. Sharp says that to grow you must make sure your brand is easy to buy

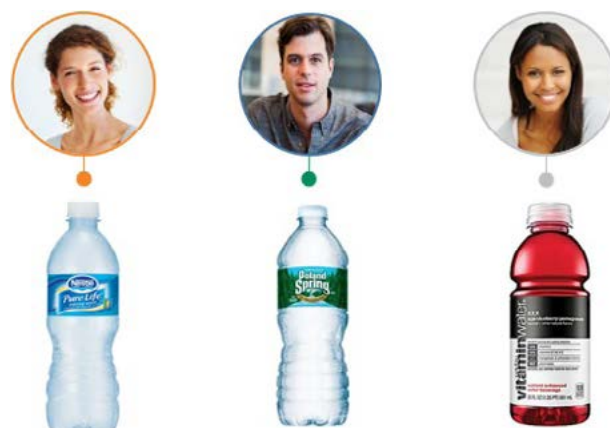
This means that brands must be both physically available where consumers shop and mentally available in the form of strong mental networks of images, feelings and stories about the brand. Similarly, we believe that innovations – not just established brands – must also be easy to buy. This is evidenced in our validated forecasting model, where distribution and shelf visibility (which reflect physical availability) and product recall and product perceptions (which reflect mental availability) are key factors that impact Year 1 trial.

How do we evaluate ease of buying when testing new innovations? Firstly, we benchmark against consumers' most often purchased products, which is a default for what is easiest for them to buy. By comparing how strong a new product is against the product they currently buy most often we are benchmarking against brands that are already salient to each individual consumer. For example, for a new bottled water concept, a consumer may be considering the innovation in comparison to another brand of bottled water such as Nestle or Poland Spring or a flavored water such as Vitamin Water. (See Figure 2.)

We can also evaluate ease of purchase through our Designer simulated test market forecasting. By using a shelf purchase exercise to simulate the moment of choice, we capture whether the decision to buy the innovation is influenced by memory salience (i.e., the consumer has a strong mental network for a competitive brand) or attention salience (cues and stimuli about a competitive brand that capture attention at the moment of choice). Lastly, any forecast we make takes into account the level of distribution for the test product, which is a measure of physical availability.

Figure 2

Consumers' Most Often Purchased Product



Consumers who participate in Ipsos' innovation tests are asked which product in the category they purchase most often. Each respondent has their own product purchased most often.

We completely agree with Sharp that products should be easy to buy and this is even more important for new launches which need to find a place in existing repertoires. That's why we always view a new launch through a competitive lens to ensure it is not only appealing in comparison to previously tested products in our database but that it is genuinely strong enough compared to the existing competition to survive.



4. Sharp says mass marketing should be the focus

According to Sharp, “Mass marketing works – marketing with a reach-optimized single simple message is still the most effective way to drive sales.” When it comes to innovation, we are aligned with Sharp’s thinking in that an innovation under development should consider how appealing it is to the widest audience possible. This is reflected in our sample definitions for innovation testing. Specifically, we define our samples as “all potential buyers” – which includes light category buyers as well as heavy category buyers and even those not currently buying the category as long as they have potential to.

However, we believe there are other avenues to success for an innovation beyond mass marketing. New products that are targeted at specific groups of consumers can also achieve success. Indeed, when a product is really loved by a specific target or considered ideal for a particular occasion it can often command a premium price. Our innovation database shows that premium innovations actually achieve higher than average trial because they have strong Relevance and Differentiation – which can more than compensate for being an expensive product.

Targeted or premium innovations can also help to extend a brand’s reach, especially in a world where consumers are increasingly looking for personalization. For example, targeted innovations are prevalent in the hair care category where products are specifically developed for dry, colored or curly hair; in the toothpaste category we saw the launch of Sensodyne True White, a targeted/premium toothpaste for the whitening of sensitive teeth. Moreover, the brand could have a portfolio strategy with a premium offering (or even a price-based offering) as well which could help it extend its reach.

In summary, we don’t agree with Sharp that mass marketing is the only route to success. Of course, a product with strong appeal among a mass audience stands a good chance of success but don’t rule out the possibility that a more targeted innovation – such as a niche or premium product – could also achieve success by extending the reach of your existing portfolio.

So, does Byron Sharp's philosophy work for innovation?

Sharp's work is based on data for existing brands and cannot blindly be applied to innovations.

Several of his principles do logically apply to innovations – especially those that extend an existing brand – but it is important not to take too simplistic a view or you will run the risk of missing out on a potentially successful launch.

Throughout the innovation process, marketers should therefore remember:

- Trial is important but you must also consider the potential for an innovation to grow your brand through increased volume (More Often) and increased penetration (More People). Only then can you make an informed decision about whether to launch or not.
- Genuine differentiation is proven to be a key driver of innovation success that innovators should not ignore when evaluating new products – but maintaining differentiation over time is tough. Therefore, as you develop your innovations you should also measure the strength of your brand assets that will come into play later to maintain your advantage.
- Innovations must be easy to buy – ensure that they are by benchmarking against existing products that are salient to consumers today (i.e., don't judge an innovation in isolation).
- Innovations should be evaluated among the broadest possible audience to measure mass appeal, but don't lose sight of the potential to succeed with targeted innovations that consumers may love and pay a premium for and which may help you achieve the strategic goals for your brand.



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About Ipsos InnoQuest

Ipsos InnoQuest helps clients accelerate innovation for today's changing world.

We help clients to kick-start their innovation processes with overnight and mobile solutions, uncover deep consumer insights with our online communities, and quantify business potential right from the start. Our fast and simple solutions, validated forecasting models and real-time simulators are built on our consistent philosophy of what drives innovation success – so clients can make better decisions earlier.

Unique to Ipsos InnoQuest is our ability to combine optimization with qualification across all of our end-to-end solutions, enabling clients to maximize the ROI of their innovation initiatives and product research and development.

With unparalleled global reach and expertise across a wide range of sectors, we offer fast, simple, smart solutions that lead to more successful innovation and increased speed to market.

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