



FINDING HIDDEN WINNERS FIRST

How to Identify Great Ideas before Your Competitors

Innovation Research Advice for Marketers of Financial Services,
Durables, Technology, Health and Other Services

Jason Brown

President, Vantis, Ipsos InnoQuest U.S.
jason.brown@ipsos.com



Ipsos InnoQuest

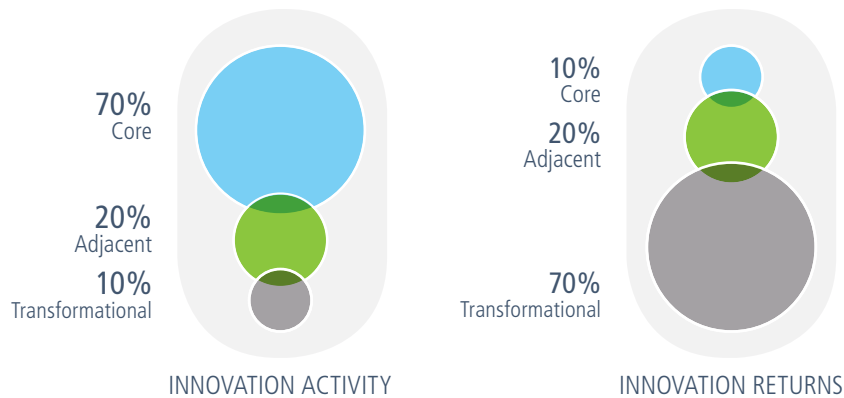
The Innovation and Forecasting Specialists

DOES YOUR RESEARCH LEAD YOU TO GREAT INNOVATIONS?

If you've worked in new product development long enough, you've probably had to defend soundly researched ideas that didn't seem very inspirational, but hey, they tested well. Or, you might have found yourself in the awkward position of trying to explain how a product that didn't test well turned into a runaway success.

Either way, the research didn't seem to do its job.

The ramifications of misleading research may be found in the *Harvard Business Review* article "Managing Your Innovation Portfolio." As illustrated below, *HBR* suggests that most innovation activities are pointed the wrong way, away from financial returns. Instead of focusing on transformational and adjacent projects which would yield the greatest ROI, most attention is paid to core initiatives.



Source: Managing Your Innovation Portfolio. Nagji, B. and Tuff, G. *Harvard Business Review*. May 2012.

One of the reasons for this misplaced focus is that core ideas score better in most consumer research approaches.



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THE THREE WORST HABITS OF INNOVATION RESEARCH

Over the last several years, we have been doing lots of work to ensure that our research is used correctly so that our clients do not find themselves in the lopsided situation described by HBR. What we have found is that when it comes to identifying truly great innovations, there are three bad habits that plague traditional market research ideologies.

BAD HABIT #1:

Letting mediocre insights live and great insights die.

BAD HABIT #2:

Relying too much on one score.

BAD HABIT #3:

Ignoring the marketing context.

In the pages that follow, we will look at each of these “bad habits” and offer our advice on how to break them and leverage your research to identify truly innovative ideas before your competitors do.



BAD HABIT #1: LETTING MEDIOCRE INSIGHTS LIVE AND GREAT INSIGHTS DIE

HOW TO BREAK IT: Recognize A True Insight And Track It

Let's start by defining what we mean by an insight. At Ipsos InnoQuest, we define an insight as:

The **REVELATION** of a **SIGNIFICANT GAP** between consumers' **ASPIRATIONS** and what they perceive as **AVAILABLE**, which can be turned into a **BUSINESS OPPORTUNITY**.

Said another way, an insight is a gap between what consumers want and what they believe they can get.

Most companies today engage in some form of insight generation when they start down the path of innovation; if not, they should be. Insight generation may take the form of foundational research, qualitative tools, workshoping, trend watching and other formal and informal approaches. Unfortunately, choosing the best insights and keeping them alive throughout the innovation journey can be a real challenge.



CHOOSING THE BEST INSIGHTS

While a company may have no trouble developing a large set of insights, selecting the best ones to pursue is difficult. To help in the selection process, we have developed nine “rules” to valuable insights, which we incorporate in our quantitative insight screening tool. Our rules dictate that an insight must be:

REVEALING: Uncovers a new or hidden consumer aspiration

UNREALIZED: Reflects a tension from an unfulfilled aspiration

IMPORTANT: Pertains to something the consumer really cares about

ENGAGING: Is something the consumer can relate to firsthand

FAMILIAR: Relates to a situation that occurs in everyday life

FREQUENT: Reflects a situation that occurs often

CREDIBLE: Is something the consumer believes has a possible solution

INSPIRING: Has the power to change a consumer’s mind and behavior

CONSISTENT: Fits with the brand strategy

It is imperative that an insight adhere to all of the rules above to pave the way to great innovation. For instance, let’s consider an insight related to LED lighting: “Changing light bulbs is such a hassle. I am too busy to deal with this annoyance.”

While this insight appears to be engaging, familiar, frequent, credible, inspiring and probably consistent, it is questionable as to whether it is truly revealing (is it really a new consumer aspiration?), unrealized (is this problem already being solved by long-lasting light bulbs?) and important (does the consumer really care about it that much?)

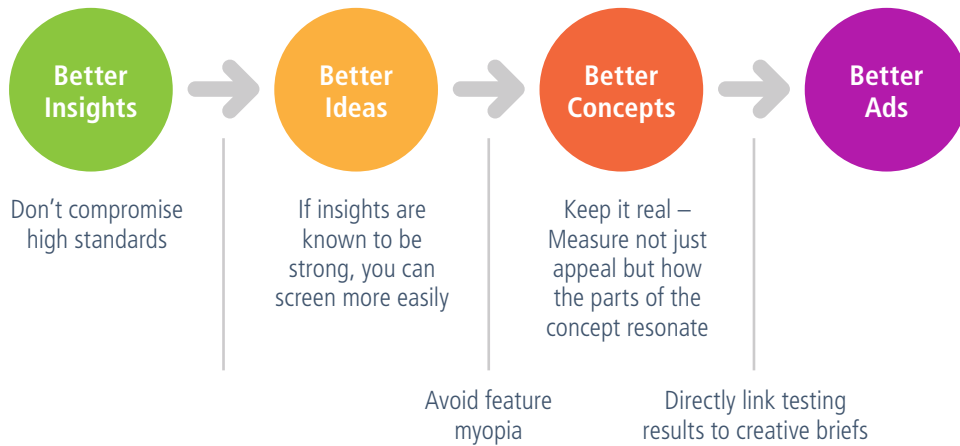


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KEEPING THE INSIGHT ALIVE

Once you have uncovered a valuable insight, the next step is to track the insight along the innovation journey. There's no one best way to do this, but there are things we can watch out for in order to minimize the erosion of an insight, as illustrated below:

Tracking Insights along the Innovation Journey



When choosing which ideas to pursue, don't be afraid to walk away from ideas that don't relate to the insight – these ideas are less likely to resonate with consumers. During concept development, avoid feature myopia: letting the features stand in the way of the real insight (e.g., mobile networks often advertise 4G – for a long time, the G got in the way of the benefits). When evaluating the concept “keep it real”, which means align your concept to what you can do in real world communications. If you mostly depend on 15 second spots or banner ads, keep the insight and benefit front and center – and be sure to measure not only the overall appeal, but also the strength of the insight. Above all, make sure the insight has not been lost in the concept. And, when you move into copy or packaging development, directly link your previous results to your creative brief. The best practice we see is when creative briefs are actually part of a concept test deliverable, which offers the best chance of the insight hanging on.



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BAD HABIT #2: RELYING TOO MUCH ON ONE SCORE

HOW TO BREAK IT: Evaluate Innovations through Archetype Profiles

Everybody wants to keep it simple, find the winners, act on one score.

Here's the problem: We rely too much on oversimplified questions and we look at the data the wrong way. The truth is that consumers can't directly tell us what is really innovative – so relying on one measure to try to capture this has no merit.

To illustrate, let's take a look at the Purchase Intent for the Apple TV and the Apple iPad, which we evaluated for R&D. The Top Box PI score for the Apple TV and Apple iPad were virtually the same: 5% and 6%, respectively. The same held true for the Top Two Box PI scores: 18% for Apple TV and 19% for Apple iPad. Still, the Apple TV was a failure and the iPad an unequivocal success. We have seen this phenomenon occur in many other cases: personal readers, single-serve coffee machines, and Netflix all tested poorly on Purchase Intent and succeeded in market, probably because they were a little early for their time and therefore could not be evaluated on Purchase Interest alone.



A BETTER WAY TO IDENTIFY WINNERS: ARCHETYPE PROFILING

The most effective way to identify innovations that will succeed in market is to identify patterns across a variety of measures. These patterns should then be compared to historical norms or to the competition in a systematic way to find out if you have a real innovation.

The Vantis team at Ipsos*InnoQuest, who specialize in financial services, durables, technology, and health, has identified 24 common patterns in concepts – what we call Archetypes . The Archetypes are developed based on specific patterns in scores across Key Performance Indicators. For example, Breakthroughs have low Purchase Interest and Believability but high Differentiation and Liking. Luxury has low Need and Value but high Liking.



Top Performer Archetypes

- Winner
- Under-priced
- Good concept



Potential Hidden Winners

- Breakthrough
- Me too
- For Want
- Value Branding
- Over-priced
- Average
- Luxury
- Commodity
- Niche/targeted
- Atypical
- Value resistant
- Unconvincing
- Potential future hit
- Skeptical
- Communications challenged
- Caught in middle



Poor Performer Archetypes

- Laggard

Many of the exciting innovations we see in the market today were weak on general interest measures like Purchase Intent but the signals for success were all present by looking at the pattern of consumer feedback: Kindle, the PVRs starting with TiVo, the iPad, Square, Dyson Ball, Netflix and the more effective and emotionally appealing financial services offers from the past five years.



Leveraging Archetypes to Develop Your Game Plan

If you know which Archetype your innovation is, then you can start looking at the best game plan to make it a success. Just as we have identified 24 Archetypes, we have also identified 80 commercial game plans associated with those 24 archetypes.

For example, the game plan for a Breakthrough is illustrated below:



High Liking and Uniqueness, Top Box Purchase Intent often average or above, Price/Value often below average

Pricing: Normally needs to come down as quickly as production economies permit

Product: Needs to be designed for the masses: generational and line management is key – having a roadmap for the evolving product line

Promotion: Advance PR with mass support positioned to a non-sophisticated consumer

Distribution: Mass and elite distribution; mass distribution often rolled out slowly starting in outlets with a high CDI, sales person/channel incentivizing is important but often only affordable in elite channels; POS demo is useful



BAD HABIT #3: IGNORING THE MARKETING CONTEXT

HOW TO BREAK IT: Look at Drivers of Market Performance

We typically need to expand the view for innovation beyond consumer KPIs. There has never been a consumer test devised that could or should be used to guide a big capital investment decision based on one evaluation.

When we go into our database and look at our R&D, there are a few things beyond sales potential that are associated with a good in market performance. In fact, there is a whole SCALE.



Note: SCALE was developed by Ipsos for financial services, durables, technology, health and other innovations outside of consumer packaged goods. For CPG, we have a specific Innovation Performance Framework that identifies the drivers of success.



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USING SCALE TO ANTICIPATE YOUR INNOVATION'S MARKET PERFORMANCE

While **Sales Potential** is key to predicting market performance, there are other drivers that need to be considered.

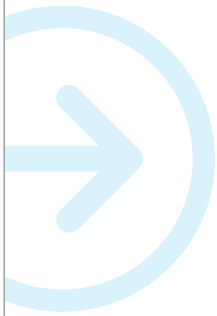
We need to look at **Communication**, or how clearly and easily you can tell your story. The success of an innovation can often hinge on picking the best communication pitch. The best communications are simple and single-minded, focused and effective. Kinect is a great example of an innovation with a simple yet strong message: "You are the controller."

Next is **Audience size and addressability** – is there a big enough target market and can you define and reach them? Nintendo is an example of a winner on this dimension in that they very purposefully tried to appeal to the big pool of non-gamers.

A real innovation has to have a **Long-Term** purpose. It should be sustainable: for example, there should be evident possibilities for new revenue streams, such as the next line extension or the next cross sell opportunity (e.g., a service that is a gateway for additional services).

And finally, the innovation should have an **Edge** – that is, have something that makes it more than just different, but rather something that makes it noteworthy or exceptional and can sustain a competitive advantage. These are brands that stand out and dominate, that get the buzz and the discussion and the consumer and media attention. They basically sell themselves. Red Bull, Square and Nest are great examples of innovations that have an Edge.





BREAKING BAD HABITS DOES NOT REQUIRE RADICAL CHANGE – JUST NEW WAYS TO APPROACH THE DATA YOU HAVE

Innovation research should act as an enabler of innovation, not a barrier. Through our R&D and experience, we want to help our clients find the non-obvious innovations that will galvanize their organizations, develop products that will be differentiated in market for a long time, and bypass me-too products that are not sustainable – and likely already in the works at competitive companies who either don't do research well or at all. This often means breaking bad habits and adopting new approaches to make your research work harder for you. To this end, we urge clients to:

- **Recognize your most *valuable insights* and leverage them throughout the innovation journey**
- **Look beyond the surface of the research, and identify patterns in the form of *Archetypes***
- **Consider the sales potential of your innovation, but also take into account other marketing factors (*SCALE*)**

For more information about how our Vantis experts can help you get more out of your research, please contact your Ipsos representative.



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