

Don't Let Promising Breakthrough Innovations Die

Lee Markowitz



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Breakthrough innovations are critical to the future success of your organization.

Why?

Because they can yield more than double the returns of non-breakthrough innovations.

An analysis of innovation investments and returns conducted by The Monitor Group and published in the Harvard Business Review suggests a better-balanced innovation portfolio results in meaningfully higher share price performance.

Specifically, it suggests that if 10% of your innovation activity is “transformational,” which is roughly synonymous with “breakthrough,” you can expect to generate 70% of your innovation returns from those transformational innovations.

However, developing breakthrough innovations is difficult. Many breakthroughs die in the innovation process. Looking at our databases, we see that only 1% - 2% of CPG innovations

in our Concept/Product Test database are breakthrough compared to 5% in our Concept database – suggesting that many breakthroughs die before proceeding to the CPT phase.

There are many obstacles to getting to breakthrough innovations. These include procedural barriers in your organization that stop you from introducing more revolutionary products, not having the technical feasibility to manufacture the product, and financial controls that prevent innovations that don't meet hurdles from moving forward (despite the need for iterative research and design required when developing breakthrough innovations). There is another set of barriers related to innovation success that we refer to as consumer barriers. This paper will shed light on these real-life consumer barriers – and what you can do to prevent them from killing your breakthrough innovation.



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Consumer barriers to innovation

Consumer barriers are the psychological barriers that make it more difficult for breakthrough products to gain the space in consumers' lives that they need to gain traction and grow. Here are a few consumer barriers that could kill off a breakthrough innovation:

- **Not Relevant** — Relevance is the extent to which the product or service meets consumers' needs. Breakthrough products often come with unclear benefits and consumers do not perceive their relevance – if that is the case, then consumers will find it difficult to directly replace a current behavior with a new behavior. Think about the new Sense sleep tracking device from Hello, aimed at improving a person's sleep. It differentiates itself from other sleep tracking devices by taking into account the environment (i.e., sound, light and temperature), not the person sleeping. But what is the benefit to the consumer? It turns out that Sense downloads this information into an app you can use to improve your sleep. However, as a breakthrough product, Sense needs to carefully (and simply) explain the benefit to consumers, which it does through a video on the home page of its Website.

- **Not Believable** — Consumer barriers to breakthrough innovation also focus very much on believability. Take, for example, Orville Redenbacher's Pop Up Bowl, which is a microwave popcorn bag that turns into a bowl. Consumers may find it hard to believe that a microwavable bowl will hold their popcorn, not burn them, and not leak. These are all believability issues that Orville Redenbacher had to overcome. Believability can relate to many aspects of the product – from efficacy and speed to convenience and safety, to name just a few.



Sense sleep tracking device by Hello

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- **Too Expensive** — Breakthroughs tend to be more expensive, and this can be a huge barrier. In order to justify a premium price, the innovation really has to be highly differentiated from the competition and has to be relevant – otherwise it is just overpriced. A great example of a breakthrough innovation that overcame its high price by providing high differentiation was Viagra, which (without insurance) costs about \$300 for a pack of 10 pills.
- **Requires Behavior Change** — Our own personal intuitions – as well as lots of sociological research – suggest that we humans are really bad at and instinctively averse to changing our behavior. In fact, some academics believe that traditional consumer-led research processes hinder the development of breakthrough products since respondents will tend to reject products that appear to require significant change. Tesla will launch its first electric car for the masses (i.e., priced at about \$35,000 for general consumption) in 2017. Despite the fact that the car will be affordable, it will require behavior change – instead of going to the gas station, drivers will need to recharge it through a recharging station installed in their home. We will need to see how consumers will react to this required behavior change.
- **Forces “Future State” Thinking** — When it comes to thinking about using breakthrough products, it is difficult for mass consumers to view themselves in a future state as opposed to a current state. As a result, they evaluate breakthrough products differently than they do closer-in products. Take, for example, the soup category. If

Campbell's were to introduce a new flavor of soup, consumers could picture the soup they eat today and then contemplate whether or not they might accept that new soup flavor as a substitute or additional product they might consume. Now think about it in the context of soup available in a K-cup type of package that could be used in a Keurig machine – a new format which Campbell's recently launched. If I'm evaluating that idea in the abstract, I might think of it as a good idea or a bad idea. However, if I'm evaluating my potential purchase of the product, I care not only about whether I think it's a good idea or not but also whether it will make the coffee I make in my Keurig machine taste funny, what the clean-up might be like, and whether it's available in my preferred flavor.



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Researching the breakthrough innovation

There are several questions from a marketing research standpoint that a marketer needs to ask in order to successfully launch a breakthrough innovation.

Are your ideas breakthrough?

Marketers need to first confirm with consumers that the ideas they are pursuing are truly breakthrough. It may be a huge R&D breakthrough that we are now using a material in our products that is 25% more absorbent – but unless that benefits consumers and changes their behavior in some way, it is not a breakthrough innovation.

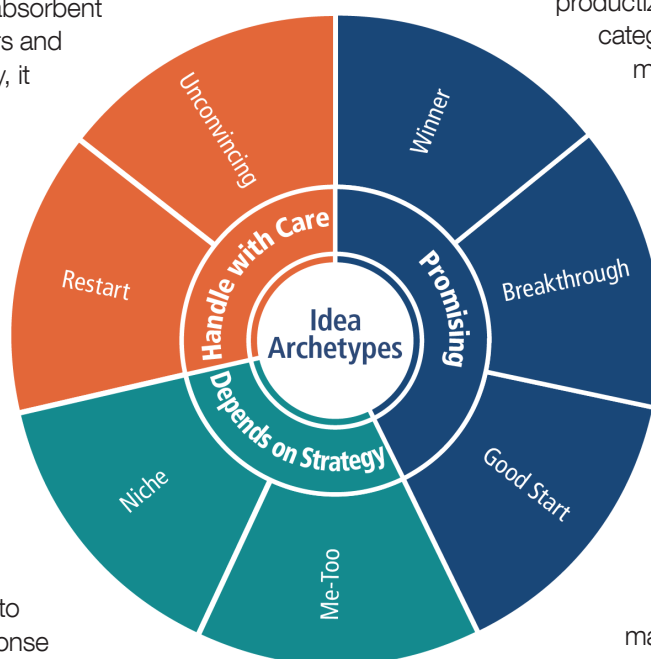
We can't just come out and ask consumers, "Do you think this is a breakthrough innovation?" Instead, we impute it from their response patterns based on Ipsos' Innovation Archetypes system for evaluating portfolio fit for ideas and concepts. Specifically, we ask consumers how relevant, differentiated, and believable they find an idea to be. We can also ask about expensiveness, but only if the idea is developed enough to have a price. By looking at the response

patterns – and in particular looking for ideas that tend to have high uniqueness but low believability – we are able to identify those ideas that fit the breakthrough profile. (Relevance also matters – it must be strong, though it does not have to be as strong as uniqueness.)

Do you know the competitive context?

In evaluating potential breakthrough products, marketers need to recognize the need for the widest possible competitive context. Typically, this entails moving beyond traditional categories as you are often trying to create a new category or sub-category, or potentially compete with a non-productized solution. Just think about which category a phablet might fit into – the mobile phone category or the tablet category? Your research must allow consumers to think in terms of:

- Need states (even helping consumers to envision a future environment where they might have a need for the breakthrough product)
- Problems they have that they'd like to solve
- Occasions on which a product might be needed
- Where they believe a product may be shelved



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Are you using the right stimulus for a breakthrough?

It's critical to provide a concrete stimulus that makes the breakthrough idea seem more real, especially at the early stage. It needs to highlight benefits and, if possible, a proof of claim. The old rule of "never show more in your concept than you can communicate in a 30-second ad" is, to some extent, less relevant here because what we're trying to do is measure the potential of a breakthrough idea. Video is often a better way to communicate a breakthrough idea – Kickstarter is an example of how critical video is in explaining disruptive ideas.

On occasion, it may also be important simply to provide the respondents with an opportunity to seek more information. The mere act of allowing consumers to ask for more information – from users, experts, and the like – can help move potential buyers from uncertainty to action.

It's important to note that if you provide more information in the research, you need to replicate that exposure in real life.

Are you going beyond the basic measures?

If our competitive context and stimuli need to be different, it's not surprising that we also need to take a closer look at the measures we are using to evaluate breakthrough innovations.

Interestingly, the measure most likely to eliminate breakthrough ideas from the pipeline is Purchase Intent. Purchase Intent forces consumers into a concrete evaluation of a given product, and the combination of increased uncertainty plus

required behavioral change is typically too great a hurdle to overcome. Instead, Ipsos groups the measures we use to evaluate breakthrough innovations into two groups:

1. **Foundational measures** that predict in-market success – **Relevance, Expensiveness, and Differentiation** – along with **Believability**
2. **Adjunct measures** that represent consumer willingness to dig deeper for additional information, or to be swayed by positive recommendations and word of mouth. Positive responses to these measures suggest the potential for a long, sustained trial build and lay the groundwork for diffusion modeling. Examples of adjunct measures are:
 - How likely would you be to seek information on the innovation?
 - Do you feel that you have enough information to be able to decide whether or not you would consider buying the innovation?
 - Would you say there are many alternatives to the innovation?
 - If you owned the innovation, would you want people to know you own it?
 - Would you recommend it to people you know?
 - Do you believe it will create a lot of excitement and will be talked about?

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How far ahead of the curve are you?

Next, marketers need to determine how far ahead of the curve they are with their product introduction. There has been a fair amount of academic effort focused on comparing adoption patterns of really new products versus incrementally new products. We can use consumers' stated perceptions of a product's newness to impact how we model results. We know from academic research that consumers are about four times more likely to buy something in the short-term that they consider being "somewhat new" as opposed to "really new." They are also more likely to follow through on their stated intentions regarding buying a product that is "somewhat new."

Newness also has a big implication for your marketing plan. Being further ahead of the curve may ultimately result in greater sales and category share, but it will take longer to get there and require different tactics.

How do you measure influence?

Marketers need to incorporate where they are in the adoption process and the impact of influencers directly into

their forecasts of breakthrough innovations. Often, diffusion modeling (such as the Bass Model) is used to do this. Diffusion modeling considers the multiplicative or "snowball" effect a small group of early adopters can have on the buying propensity of the much larger, subsequent population of purchasers.

In a typical adoption curve for a CPG product, we see an almost immediate spike in sales driven by awareness and distribution, followed by a fast or slow decline. In contrast, what we see for breakthrough innovations is a slower trial build, as the influential innovator segment makes purchases first and then either endorses or rejects future purchase. The result is a longer product lifecycle with peak sales coming later in the cycle.

Diffusion measures the growth of incremental trial motivation – not simply awareness – that is generated by these secondary influences. It can increase both the size of the potential trier pool as well as accelerate the pace of demand. Since breakthrough products tend to have slower build periods, the ability to estimate the probable sales inflection point and subsequent long-term revenue potential is critical to evaluating the true viability of a new innovation.

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How do you market a breakthrough innovation?

In general, marketing plans for breakthrough innovations should be based on the following parameters:

- The marketing plan needs to be more evenly spread because the trial build is longer.
- Copy needs to be more educational in nature and offer proof points.
- Understanding the target and how to reach it and persuade it is critical (e.g., how is the target influenced or who does the target go to for advice?).
- Identifying the barriers to trial and marketing against them is crucial.
- Finding the right place to place the product (based on what consumers are using today to solve the same need) is key.
- Creating incentives to get consumers to try the innovation – and retry it– is a must (this may include reduced pricing, promotion, or sampling).

A great example of successfully marketing a breakthrough innovation comes from Kraft with the launch of its *MiO* Liquid Water Enhancer. Launched in 2011, *MiO* did everything right. They understood their target, which was Millennials and not the stereotypical soccer mom that Kraft usually targets. To reach Millennials, Kraft launched *MiO* digitally – offering free samples on Facebook and using a character from the famous Second City comedy troupe that Millennials could relate to (the campaign went viral before *MiO* even hit the shelf). They also made sure that their advertising and promotion spending was

strong in Year 1 but also continued in Year 2 (taking into account slow trial builds associated with breakthroughs). And, finally, since *MiO* was such a unique product – one that consumers might not understand – Kraft aired commercials that showed consumers exactly how to use *MiO* (i.e., squeeze a little or a lot of *MiO* into a glass of water) and posted Frequently Asked Questions on their Website, including “How do I use *MiO*?”.



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The bottom line on breakthroughs

To effectively introduce a breakthrough innovation, marketers must recognize that the research and marketing behind the innovation are different from a traditional product. Before moving forward, marketers must first confirm with consumers that they really have a breakthrough product. Second, they need to understand the potentially wide competitive set. Third, they need to modify their research approaches to ensure that they use the right stimulus and ask the right questions. Finally, they have to rethink how they forecast the success of these products (taking into account the newness of the innovation along with the role played by influencers) and build their marketing plans accordingly.



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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.

This paper is part of the Ipsos Views series.

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