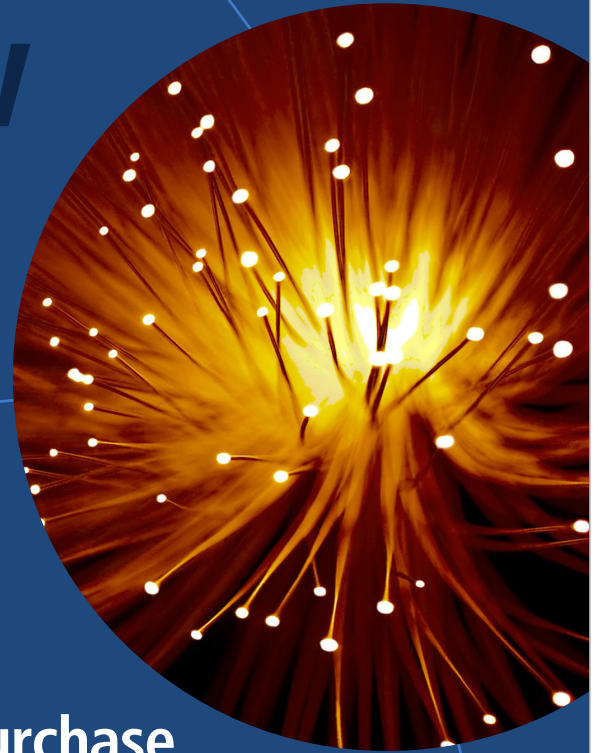




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Pointofview



Concept Screening: Why Purchase Intent Is Losing Its Appeal

RELIANCE ON PURCHASE INTENT CAN LEAD TO LOWER SUCCESS RATES FOR CONSUMER PACKAGED GOODS PRODUCTS

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The Virtues of Purchase Intent in Consumer Packaged Goods Research

Purchase intent continues to be the primary decision-making tool used during concept screening for many consumer packaged goods manufacturers despite evidence of its drawbacks and numerous suggestions for improvement. In 1987 David Schwartz wrote his seminal text on the subject of concept testing.¹ Even back then, Schwartz devoted a significant portion of his book to the dangers inherent in relying solely on top box or top two box purchase intent for deciding which concepts should proceed along the innovation path. Among the points raised by Schwartz were: (1) a product can be polarizing – one should examine the entire scale and not just the top two boxes; (2) it is always better to analyze multiple measures when evaluating concepts – such as uniqueness, pricing, and believability; and (3) many diagnostics should be evaluated such as the reasons for purchase intent, the attributes driving purchase, who in the household would use the product, and how the product would be used. More than twenty years have passed since the Schwartz magnum opus, and still a singular focus on purchase intent pervades early new product evaluation.

Why has the marketing research industry failed to heed Schwartz's well-conceived recommendations?

The decision to rely heavily on purchase intent has a compelling rationale. There has been a strong consensus on exactly how the question should be asked, the exact scale that should be used and how results should be reported. Decision rules are simple, such as "if the top box score exceeds 'x' or if the top box score is in the top quintile," then proceed. Moreover, purchase intent has a reasonably strong correlation with actual purchasing and is one of the inputs employed in validated forecast models. Finally, databases with purchase intent have become huge, providing the ability to slice and dice by category, subcategory, and more.

Given all these virtues of purchase intent, why question its use?

Times Are Changing

The ascension of purchase intent coincided with the growth of the survey research industry itself in the 1960s and 1970s. However, in the last 10 years, significant changes have occurred in the consumer packaged goods market. The most important change has been the proliferation of new product introductions, many being line extensions or incremental innovations – also known as "me-too" products – which are not well differentiated from current products in the market. A review of new product introductions launched from 1999–2003 in high-growth categories found that many were either line extensions (variations on existing products such as a new flavor or size) or incremental innovations (small improvements to existing products), while only 3% were breakthrough innovations (truly new developments in consumer value).² The breakthrough new products achieved much higher Year One incremental revenue than either the line extensions or incremental innovations as did category repositionings (targeting new consumers, uses, or occasions by claiming benefits not previously associated with the category).³

Breakthrough Product → Swiffer® Sweeper

Category Repositioning → Yogurt as a dessert

¹David Schwartz, *Concept Testing: How to Test New Product Ideas Before You Go to Market* (American Association of Endodontists, 1987).

²S. Flanagan and C. Lindahl, *Driving Growth in Consumer Goods*, *The McKinsey Quarterly*, October 2006.

³*Ibid.*

Pitfalls of Purchase Intent

The proliferation of “me-too” products in the consumer packaged goods sector is strongly associated with the use of purchase intent for deciding which concepts should be advanced, reworked, or abandoned in the innovation process. In fact, one could argue that reliance on purchase intent has caused this phenomenon to occur. The following examination of the weaknesses of purchase intent as a concept screening measure illuminates why other measures should be employed instead of, or in addition to, purchase intent.

1) Purchase intent advances line extensions and incremental innovations and kills breakthrough and targeted products.

Line extensions and incremental innovations, or “me-too” products, typically score well on purchase intent because they represent minor tweaks on successful products. However, these concepts under-perform in market because they are not differentiated from competitors. In contrast, breakthrough concepts typically score poorly on purchase intent because consumers may not understand them. Often, the communication of a breakthrough concept must be improved for consumers to understand how the concept is relevant (in other words, how the concept addresses their needs). Once the communication is optimized, breakthrough concepts usually test better and perform well in market. Similarly, targeted, or niche, concepts typically score poorly on purchase intent because they are not relevant to most consumers. However, if targeted concepts can be reworked to appeal to a broader target, or if they can be efficiently targeted to consumers who are willing to pay a premium price, then they can be successful in-market.

If purchase intent is the primary decision criterion for moving concepts forward, then “me-too” concepts are often advanced, while breakthrough and targeted concepts are discarded prematurely. This is a key reason why consumer packaged goods companies have introduced many “me-too” products which fail to achieve sales objectives and, conversely, why only a few breakthrough or targeted products have managed to make it through the screening process and become real successes.

2) Purchase intent fails to discriminate differences in concept positioning.

Under a monadic test design, purchase intent is not sensitive enough to detect differences in positioning. The lack of sensitivity occurs because purchase intent is driven heavily by the brand or the price, and these factors can overwhelm the impact of positioning. This inability to detect differentiation in positioning is problematic, because differences in positioning are often what manufacturers want to test. Without any single positioning scoring significantly better than any of the other positionings being tested, manufacturers are forced to choose one positioning that may or may not be optimum.

3) Purchase intent does not reflect the competitive context...and databases cannot be relied upon as competitive benchmarks.

Purchase intent understates the impact of the competitive market. Yet, the competitive market can significantly impact whether people will select a product. Trial potential is greater when: (1) categories are dominated by just a few brands or products; or (2) when there are fewer brands or products in the category (e.g., ketchup or toothbrushes). When both of these phenomena occur simultaneously, the potential for higher trial is even greater. Purchase intent will understate in-market performance in these cases. In contrast, when there are no dominant brands or products, or when there are many brands or products in the category (e.g., ready-to-eat cereal or shampoo) then purchase intent will overstate in-market performance.

Purchase intent is typically compared to a database of other new product ideas in the same category and country. This type of comparison is problematic for several reasons. First, the database may have a limited number of observations in the country or category being evaluated (sometimes the category or country is new, so there is no database), or the observations in the database may be outdated. Second, the database could be dominated by brands or products of a certain type and there is no way to know. Third, many new concepts compete in “fuzzy” markets or overlapping categories and the appropriate category for comparison is difficult to define. In summary, the concepts in these databases do not reflect the current competitive environment and often do not represent the appropriate benchmarks for performance. A new concept may perform well relative to a concept database but then perform poorly in-market because the database does not provide the appropriate comparison.

4) Purchase intent is not diagnostic.

As manufacturers move their concepts through the innovation process, it is important to not only size opportunities, but also to understand how to rework concepts that fail to achieve objectives. In other words, exactly which aspects of the concept need to be improved: the consumer insight, functional benefits, emotional benefits, reasons to believe, differentiators, product line-up, channel or store location, or possibly price? While diagnostics typically are examined for winning concepts, losing concepts are often not investigated beyond their purchase intent scores. Sometimes one will look at other measures such as purchase frequency, liking, or value. Although these measures are useful for incorporating into a decision rule or forecast, they provide little diagnostic value that could be leveraged for future concepts.

Some will argue that there are still situations when purchase intent can and should be used. When large databases are available in fairly well-defined categories, purchase intent can be a useful summary measure and a good predictor of new product trial. However, even in these cases, purchase intent, and any resulting forecasts based primarily on purchase intent in the consumer packaged goods sector, should not be evaluated in isolation of other key diagnostics as discussed below.

In other scenarios, when databases are relatively small or nonexistent (as may be the case in certain countries or categories) or in fuzzy or overlapping categories, purchase intent should not be the primary tool for advancing new product concepts. Instead, purchase intent should only be used as a diagnostic check for consistency.

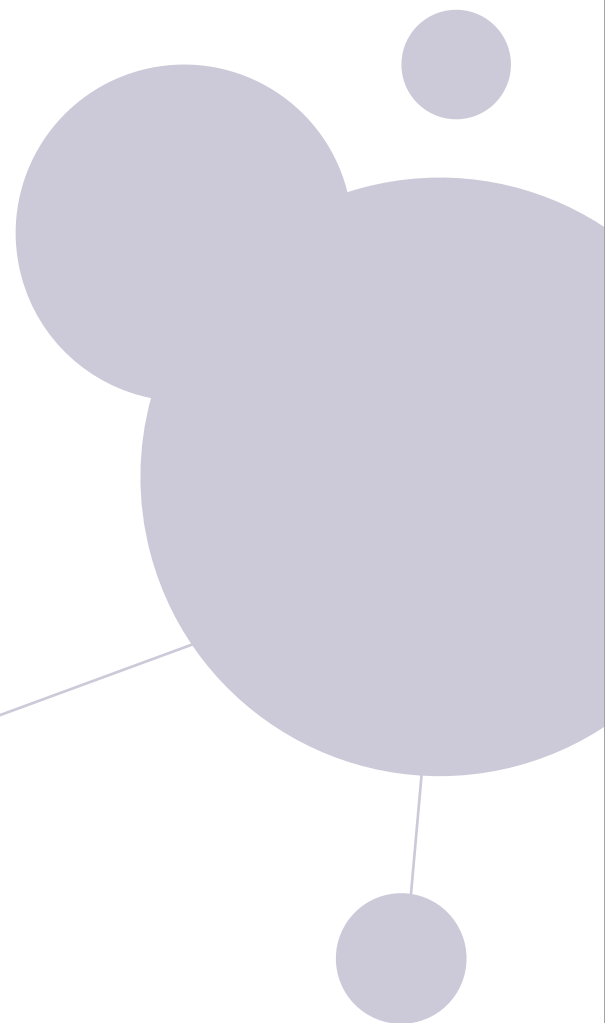
Alternatives to Purchase Intent

The best measures to employ for screening new consumer packaged goods concepts are **relevance, differentiation,** and **expensiveness.**

Relevance	The extent to which a product meets consumer needs
Differentiation	The extent to which a product has a unique benefit vs. competitors
Expensiveness	The extent to which a product is priced higher or lower than competition

Attribute ratings and **open-ended feedback** are other key diagnostic measures.

Relevance, differentiation and expensiveness are critically important since: (1) they provide direction for how concepts should be reworked or optimized; (2) they take into account the competitive context; and (3) they can be leveraged to estimate a concept's trial potential.



Modular Forecasting

Relevance, differentiation and expensiveness represent single constructs (or themes) as opposed to purchase intent which combines all these themes together. Because these measures are single constructs, they can be used to rework concepts, as illustrated below:

- A “me-too” concept will not be advanced if it scores well on relevance but scores poorly on differentiation. Instead it will be reworked in an effort to achieve greater differentiation.
- A breakthrough concept which scores well on differentiation but low on relevance will not be discarded prematurely. Instead, it will be reworked by improving the message so it will score better on relevance.
- A niche concept that scores high on differentiation but low on relevance will not be discarded prematurely. Instead, it will either be reworked so it does a better job of addressing consumer needs among a broader target, or it will be evaluated among different targets to determine where relevance, differentiation, and expensiveness score best to justify a premium price.
- A concept that scores well on expensiveness, meaning its price is attractive relative to competitors, may have some room to increase pricing or an opportunity to command a premium price. In contrast, a concept that does not score well on expensiveness may need to have its price reduced. Therefore, expensiveness is a strong diagnostic measure because it provides clear direction on pricing.

Moreover, relevance and differentiation do a better job than purchase intent at identifying the best positioning for a new concept. Unlike purchase intent, relevance and differentiation are less sensitive to branding and pricing, making it easier to read differences among monadically-tested positioning concepts which do not vary by brand or price.

Competitive Context

Unlike purchase intent, differentiation and expensiveness recognize the concept’s competitive environment because they are, by their very nature, competitive constructs. In order to evaluate concepts on differentiation and expensiveness, respondents must consider competitors. In contrast, purchase intent does not place consumers in a competitive mindset.

One may wonder why expensiveness is a better diagnostic measure than value, which is often used to provide direction on pricing. Unfortunately, while it is often used, value is not a strong diagnostic measure because it does not provide clear direction. If a concept has a good value score it may be because its price is low vs. competitors, or because its relevance is high. The appropriate action to take is unclear unless there are independent measures of expensiveness and relevance. The same lack of clarity on the appropriate action to take will apply if a concept has a weak value score. Should the price be lowered or should the concept be made more relevant? Therefore, expensiveness is a better diagnostic measure than value for providing direction on pricing.

Estimating Trial Potential

Maximum trial potential can be estimated by a single measure which integrates relevance, differentiation, expensiveness, and market permeability (the ease or difficulty of entering a market).

How do we know this? Relevance, differentiation and expensiveness have been identified as the most predictive measures of in-market success for consumer packaged goods concepts based on an analysis of Ipsos’ Designor® database. Other measures, such as purchase intent, believability and likeability, were analyzed and found to be less predictive. Designor is Ipsos’ simulated test market forecast model for consumer packaged goods and has been validated over 600 times, producing estimates within 9% of actual sales on average (taking into account the full marketing mix, including a detailed marketing plan, advertising, shelf impact and competition).

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We offer simple, intuitive tools built on a consistent philosophy of what drives innovation success, a comprehensive suite of tools for product research and development offering solutions throughout the product's lifecycle, and powerful simulation capabilities to help clients reach their financial targets. From the fuzzy front end to mix optimization, launch and beyond, we help our clients to maximize their innovation I.Q.

Ipsos InnoQuest is a specialized practice of Ipsos, a global market research company which delivers insightful expertise across six research specializations: advertising, customer loyalty, marketing, media, public affairs research, and survey management. With offices in 84 countries, Ipsos has the resources to conduct research wherever in the world our clients do business. In October 2011 Ipsos completed the acquisition of Synovate. The combination forms the world's third largest market research company.

In 2012, Ipsos generated global revenues of 1.789 billion euros, Marketing research contributing to 53% of Ipsos revenues.

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