

nielsen  
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# RE-THINKING INNOVATION IN RETAIL

PREPARED FOR  
*NAMI ANNUAL MEETING AND OUTLOOK CONFERENCE*

**NAMI**  
NORTH AMERICAN  
MEAT INSTITUTE

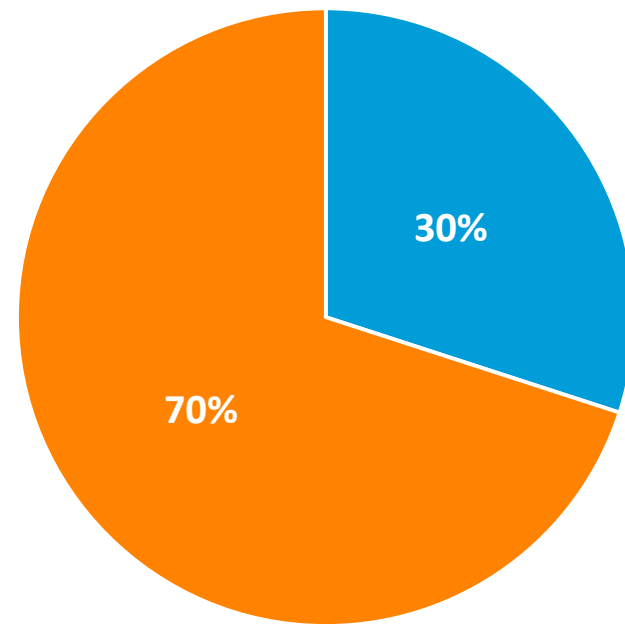
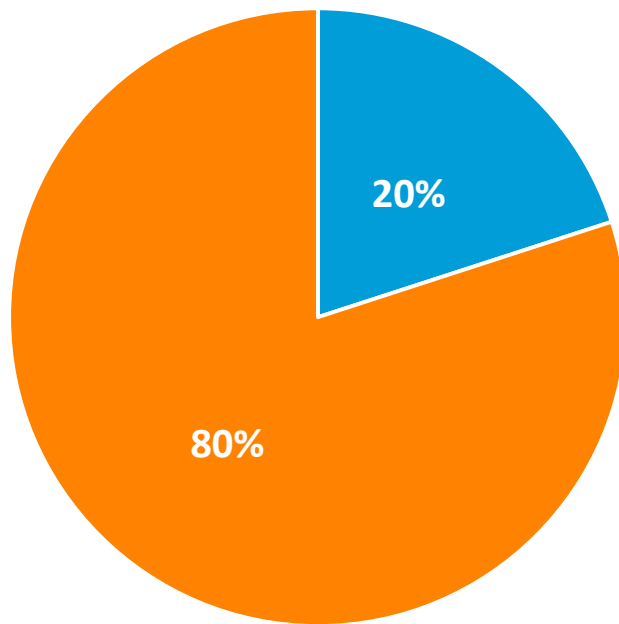
November 4, 2015

# INNOVATION THAT'S GOOD FOR THE SUPPLIER

Total Category Sales = \$100 MM

Total Category Sales = \$100 MM

Supplier Category Share



Competition Category Share

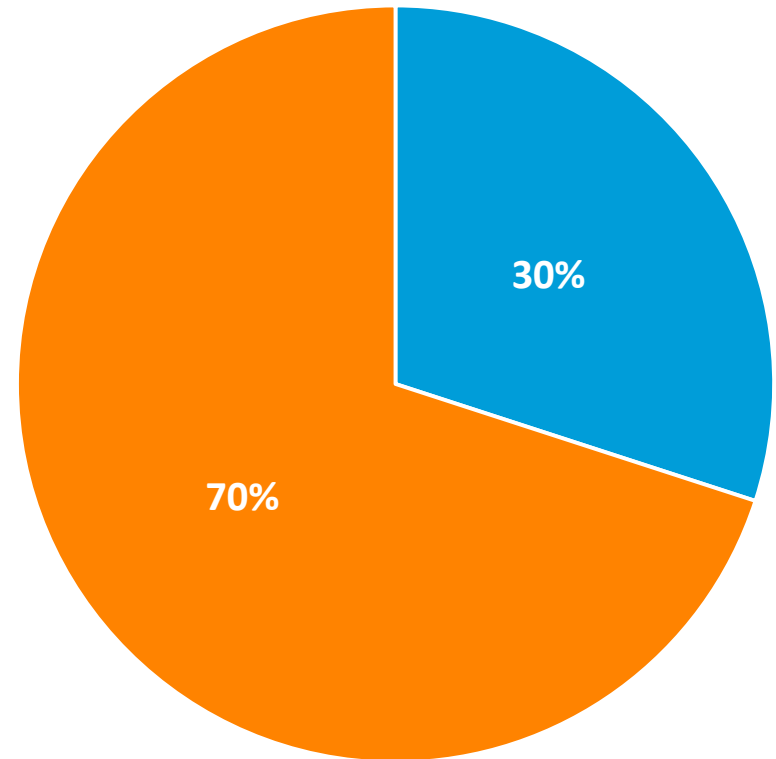
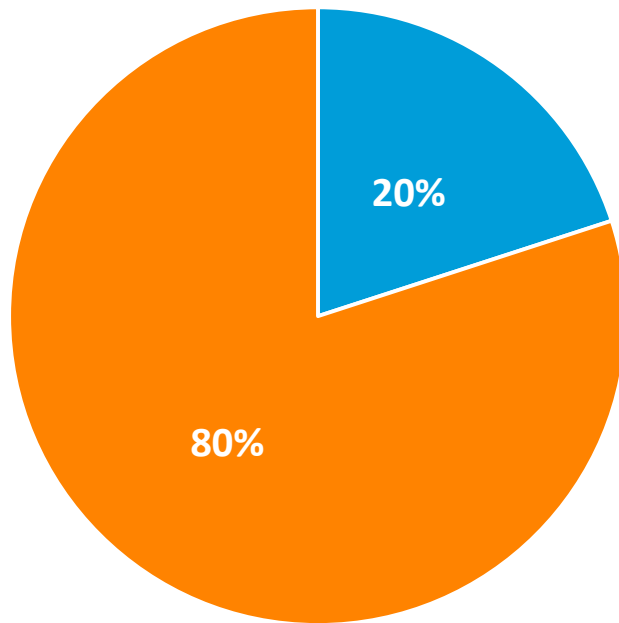
# INNOVATION THAT'S GOOD FOR *EVERYONE*

(Supplier + Retailer)

Total Category Sales = \$100 MM

Total Category Sales = \$120 MM

Supplier Category Share

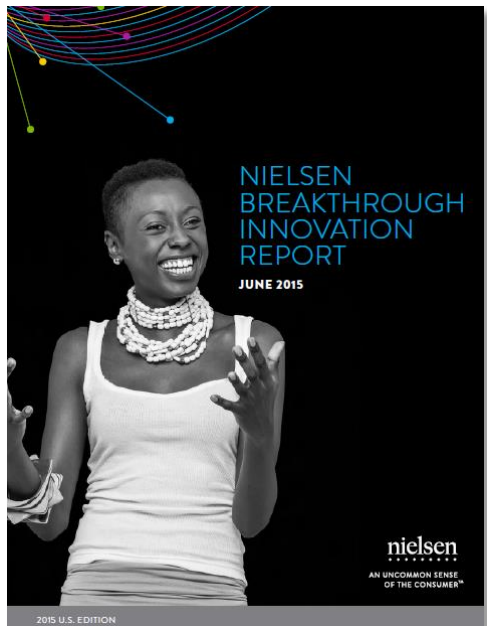


Competition Category Share

# HIGHLIGHTS OF NIELSEN'S INNOVATION APPROACH

1

## THE REPORT



2

## THE PROCESS

nielsen INSIGHTS SOLUTIONS NEWS CENTER ABOUT

NEWSWIRE

EXPLORING THE SCIENCE BEHIND SUCCESSFUL INNOVATION

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Hot off the Presses: Innovation is alive and growing. That's not to say, however, that it is easy or always gamers runaway success. But for the companies that persevere and strive to deliver on unmet consumer

RELATED NEWS

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For a Common Sense Understanding

# 3,500

Innovation initiatives this year

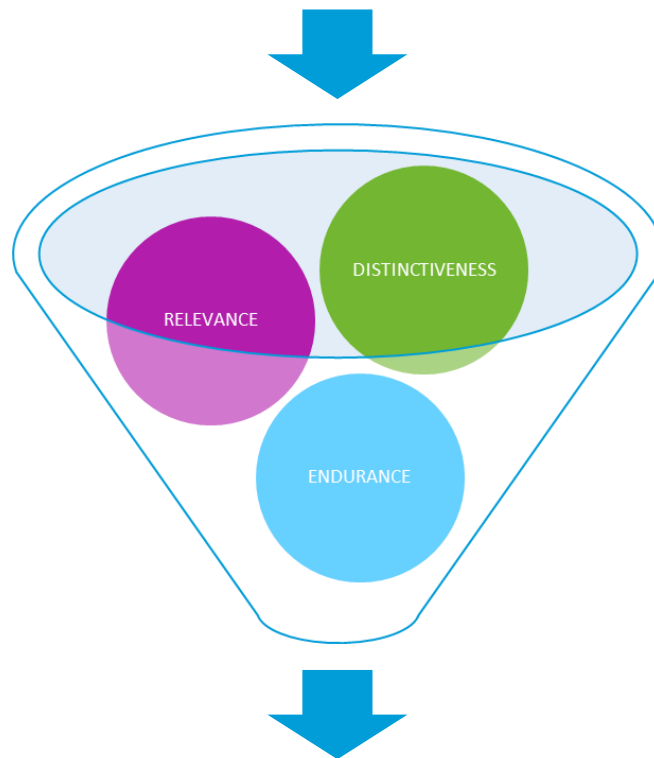
# 3%

Meet threshold to be considered as “Breakthrough” innovation

# THE BREAKTHROUGH PROJECT

A Study of Causality  
2008-2013

>20k new product launches



74 Breakthrough Winners

**Delivers new value proposition to the market**

**\$50 MM in year one sales**

**Achieves 90% of year one sales in year two**

# IS BREAKTHROUGH INNOVATION OBVIOUS?

Nielsen Breakthrough Innovation Winners in the “Spotlight”  
2013-2015

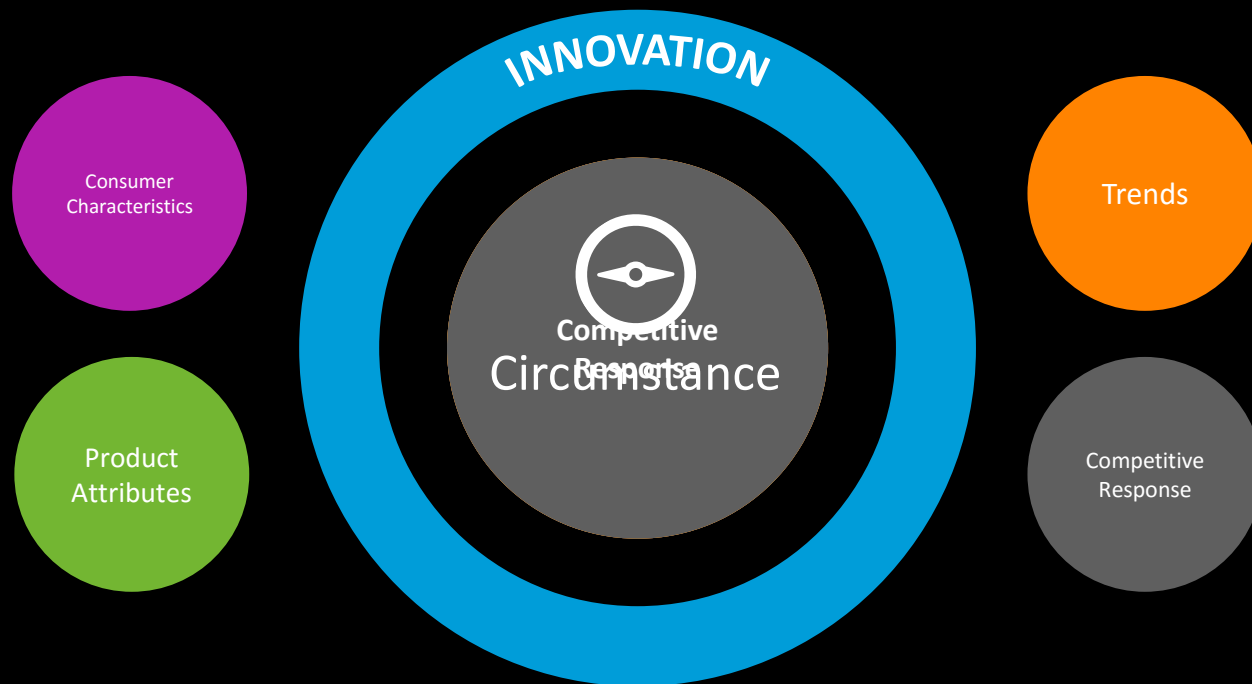


# ONE COMMON FACTOR

A successful Breakthrough Innovation

resolves a **circumstance** of struggle  
and fulfills an unmet aspiration

# THE INNOVATION COMPASS NEEDS CALIBRATING



# HOW TO PUT THIS APPROACH INTO ACTION

Using the **circumstance** is the essential unit of innovation.



All products are actually services that meet a desired outcome (progress, experience, or solution)



Consumers hire products/services to perform jobs, which have hiring and firing criteria



Jobs include a clear spec for perfect fulfillment of functional, emotional, and social dimensions of benefit



Category boundaries transform or disappear, according to how consumers operate and interact with solutions



## CIRCUMSTANCE IDENTIFIES THE JOB TO BE DONE

Example: service that consumer demands is a caffeinated, coffee-flavored refreshment, and the circumstance of struggle is that it's only available in coffee houses





## INNOVATION RESPONDS TO CIRCUMSTANCE

Example: Carton of iced coffee allows self-serve coffee shop experience in consumer's own kitchen, "Delicious coffee house taste, without the coffee house time suck"

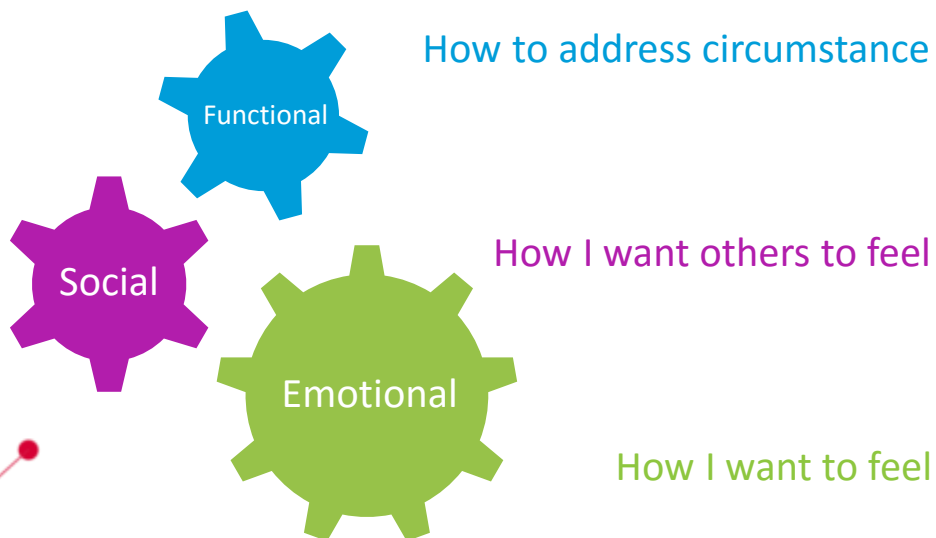




# THE ARCHITECTURE OF A JOB

Foundation for successful new products

## Job Spec:



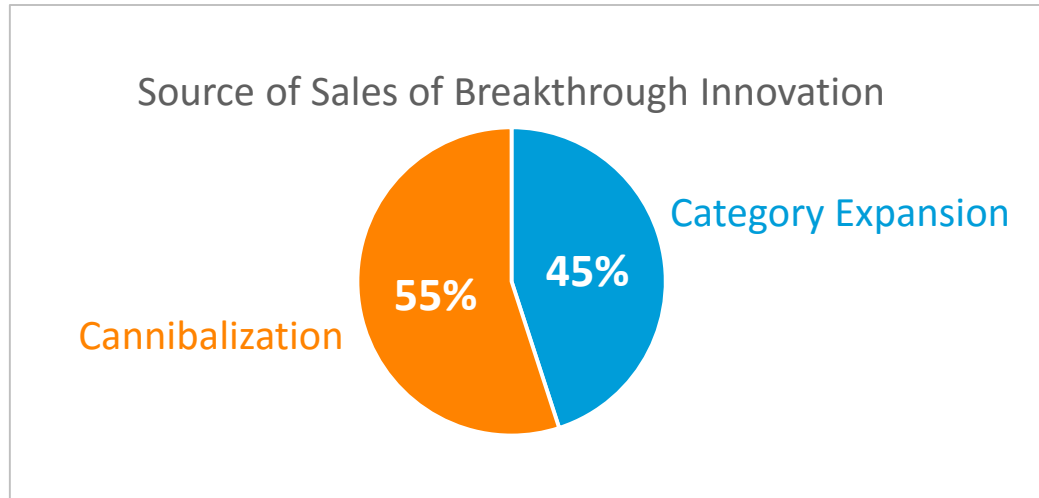
Coffee-house quality beverage designed to be consumed cold that's available at the grocery store

I'm on top of trends, family is happy with what's available

Having it all – a coffee shop specialty at home



# NAILING A JOB RESHAPES CATEGORIES



By using the circumstance as the driving force, innovation is significantly more likely to generate sales through **category expansion**

*Category Expansion includes*

- ✓ New buyers entering the “category”
- ✓ Incremental “category” purchase for additional circumstance of consumption
- ✓ “Premiumization”

# UNPACKING WINNERS

*Winners nail the job*



Consumers following Atkins (low carb, low sugar, veggies) want variety and ease of prep at breakfast, lunch, and dinner



- Boring meals (chicken/beans, turkey burger) less often
- Non-consumption behavior of avoiding frozen food



- Functional: meets Atkins requirements
- Emotional: feel good about what I'm eating
- Social: Health credibility

# UNPACKING WINNERS

*Winners nail the job*



Convenient, great tasting real food, without sacrificing “weight wellness”  
Multi-tasking at work and at home and can’t cut corners



- Non-consumption at breakfast
- Quick serve restaurants
- Fruit/scratch and unsatisfied



- Functional: great tasting, real food, healthier
- Emotional: feel like I have it all
- Social: smart choices, healthy

# UNPACKING (POTENTIAL) WINNERS



*\*This product did not win a Breakthrough Innovation award, but demonstrates innovation in the Meat department*



Individually frozen for convenient portioning, re-sealable bag for easy storage, bulk size for maximum value proposition of private label meat



- Compromise of either self-portioning raw chicken, making more trips to the store for smaller packages
- Non-consumption of frozen meat



- Functional: convenient, strong value proposition
- Emotional: luxury of shopping in my own freezer
- Social: can quickly deliver home cooked entrée, savvy shopper

# THE 2015 WINNERS

## 2015 NIELSEN BREAKTHROUGH INNOVATION WINNERS



ATKINS™  
FROZEN MEALS  
PG 32 P



DURACELL®  
QUANTUM



L'ORÉAL® PARIS  
ADVANCED  
HAIRCARE  
PG 35 P



MÜLLER®  
YOGURT



REDD'S®  
APPLE ALE  
PG 45 P



SPECIAL K®  
FLATBREAD  
BREAKFAST  
SANDWICHES  
PG 48 P



THE RED BULL  
EDITIONS



LUNCHABLES  
UPLOADED  
PG 38 P



MONSTER®  
ENERGY  
ULTRA



MOUNTAIN DEW®  
KICKSTART™  
PG 41 P



TIDY CATS®  
LIGHTWEIGHT  
PG 51 P



TOSTITOS® CANTINA  
TORTILLA CHIPS  
AND SALSA

An abstract graphic on the left side of the slide. It features a vertical black bar on the far left. From this bar, a series of curved, overlapping lines in various colors (blue, green, yellow, orange, red, purple) fan out towards the right. Several colored dots (yellow, green, purple, red) are placed at various points along these lines, with thin lines extending from them towards the right edge of the slide.

# DEMAND DRIVEN INNOVATION PROCESS

# WHAT JOB HUNTING LOOKS LIKE

Thinking like an innovator

Most marketers  
look at the  
world and see  
**consumption**



Innovators look at the world and see...



**Non Consumption**



**Tradeoffs**

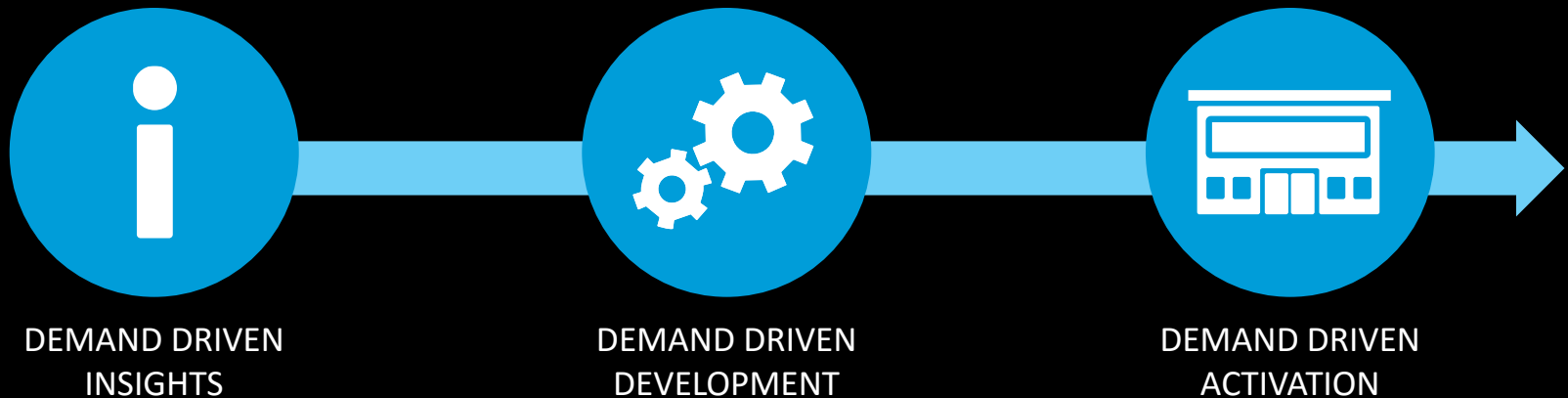


**Struggles**



# DEMAND DRIVEN INNOVATION

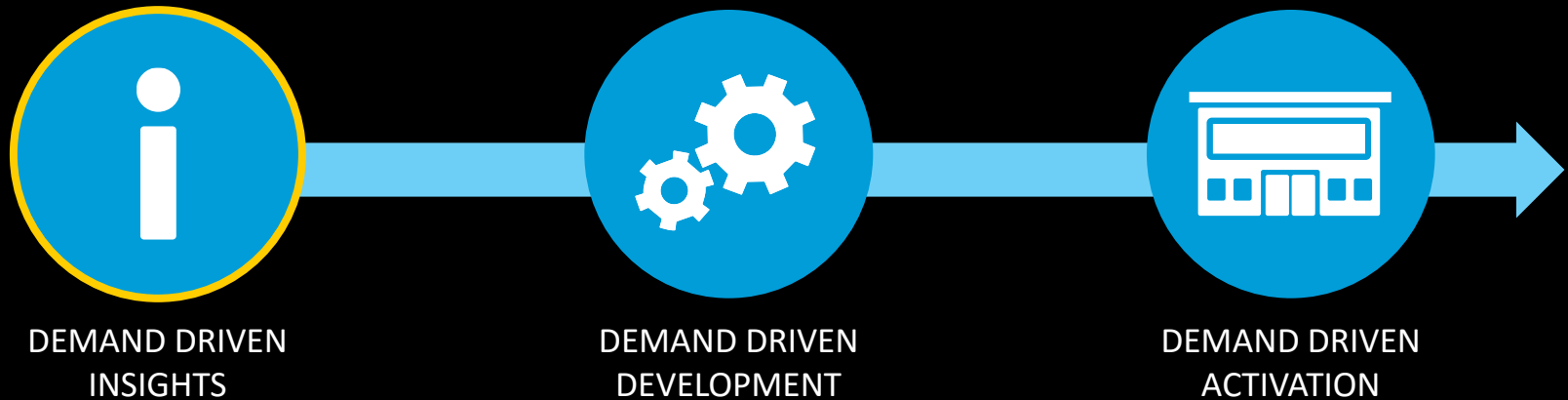
Predictive of in-market success



PERVASIVE LEADERSHIP

# DEMAND DRIVEN INNOVATION

Predictive of in-market success

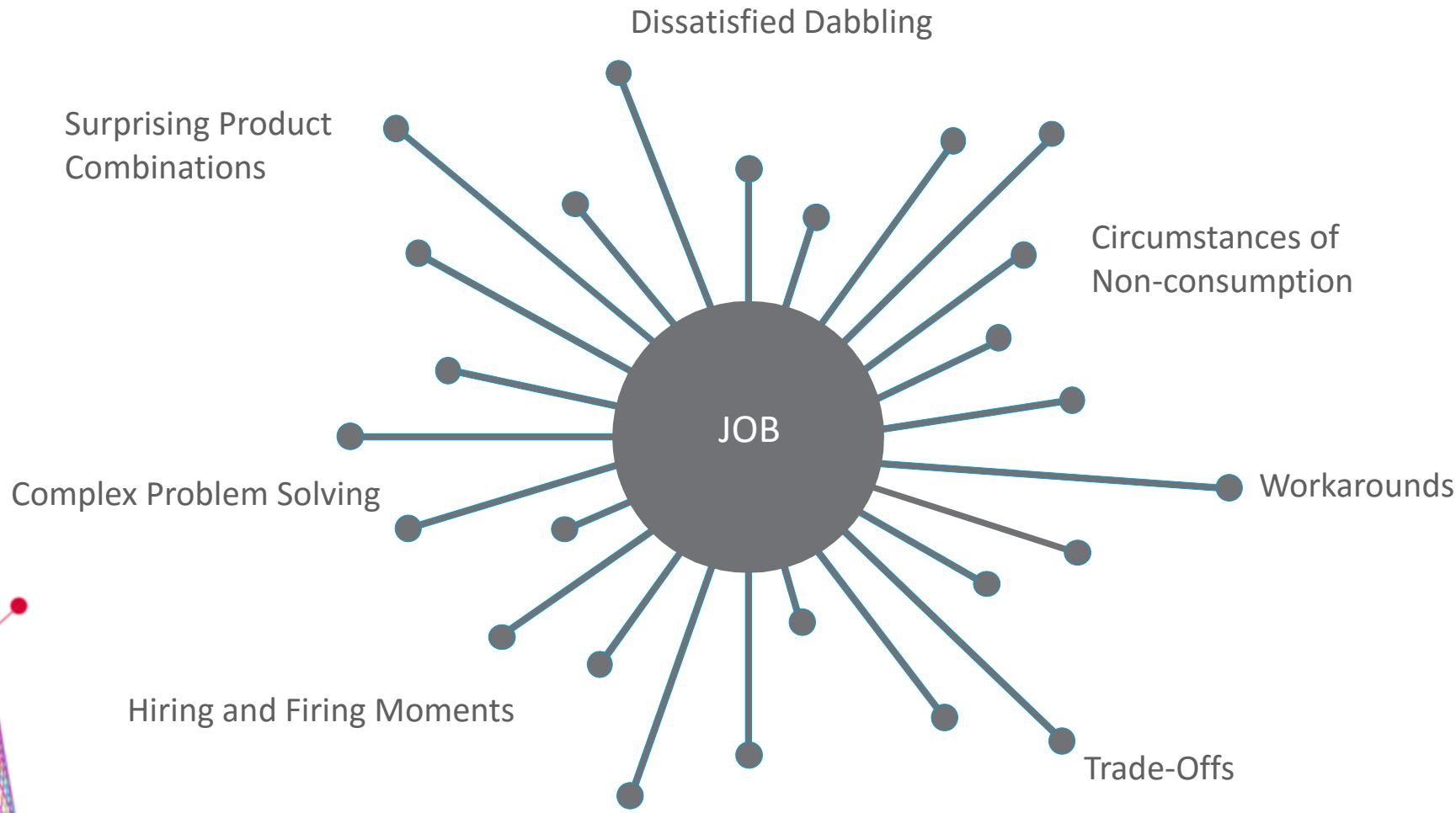


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THE CIRCUMSTANCE IS THE ESSENTIAL  
UNIT OF INNOVATION WORK

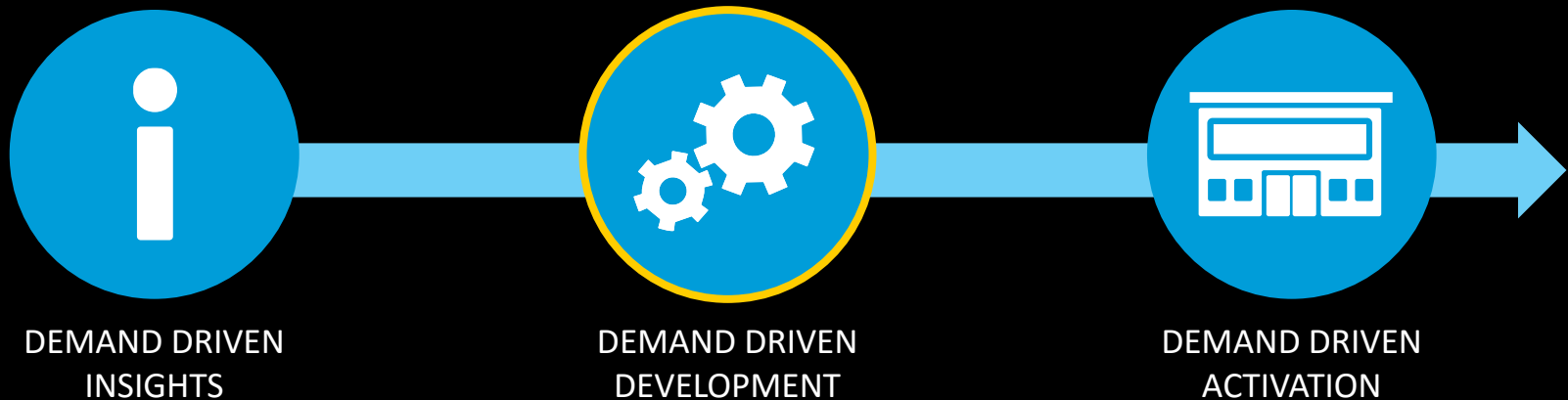
# SHIFT FOCUS FROM PRODUCT ATTRIBUTES TO CONSUMER EXPERIENCE

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# DEMAND DRIVEN INNOVATION

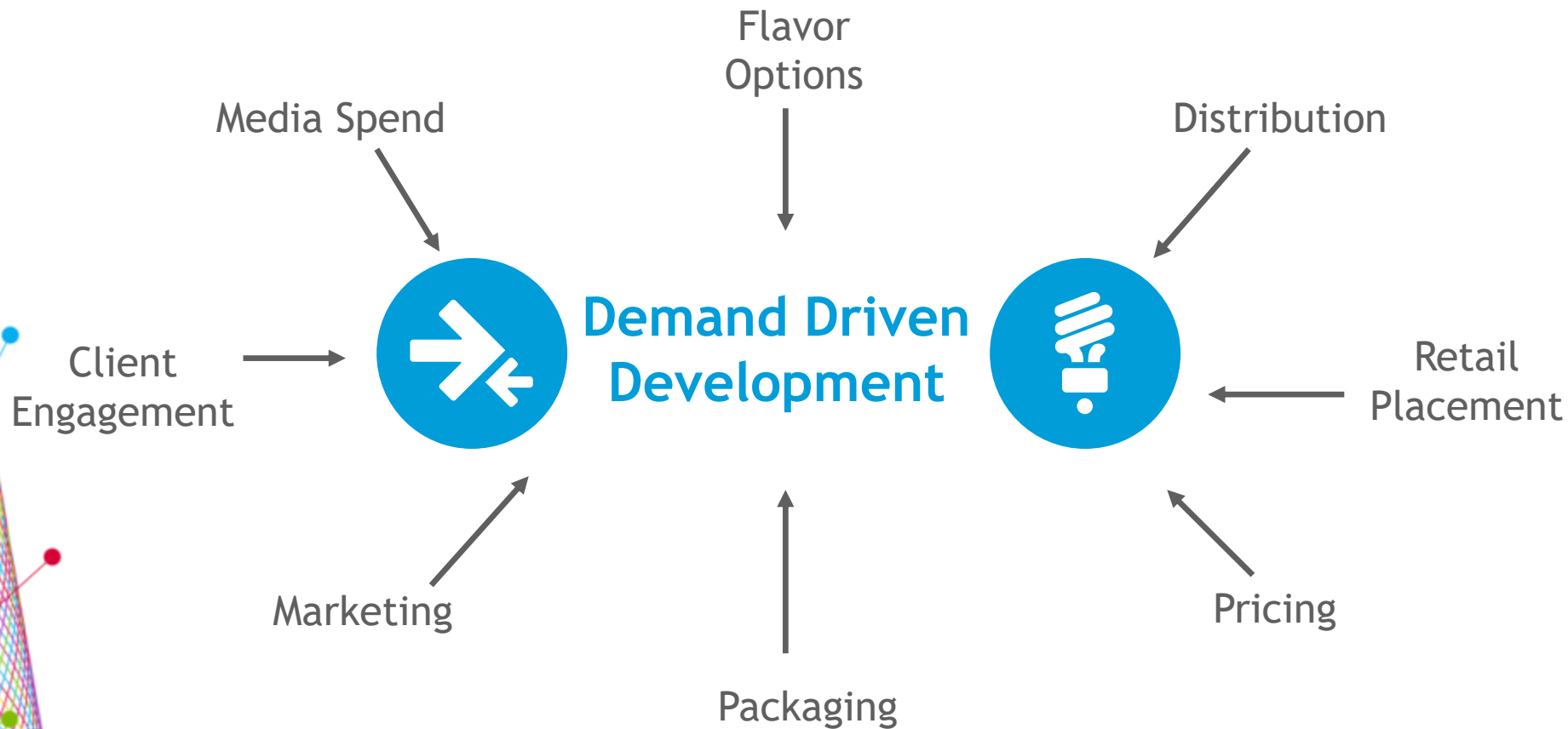
Predictive of in-market success



INSIGHT IS JUST THE BEGINNING  
*“Faithful Fulfillment of the Job Spec”*

# MANY FACTORS IMPACT A NEW PRODUCT LAUNCH

Natural to conform insights to agree with pre-existing factors



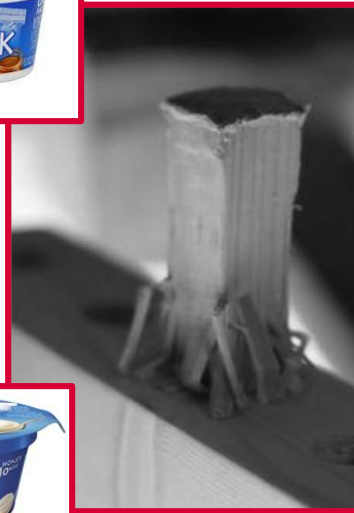
# RESPONSES TO CAPABILITY CONFLICT

How we respond when opportunity doesn't align with capabilities



## IGNORE

Blockbuster ignored strengths of Netflix' digital platform



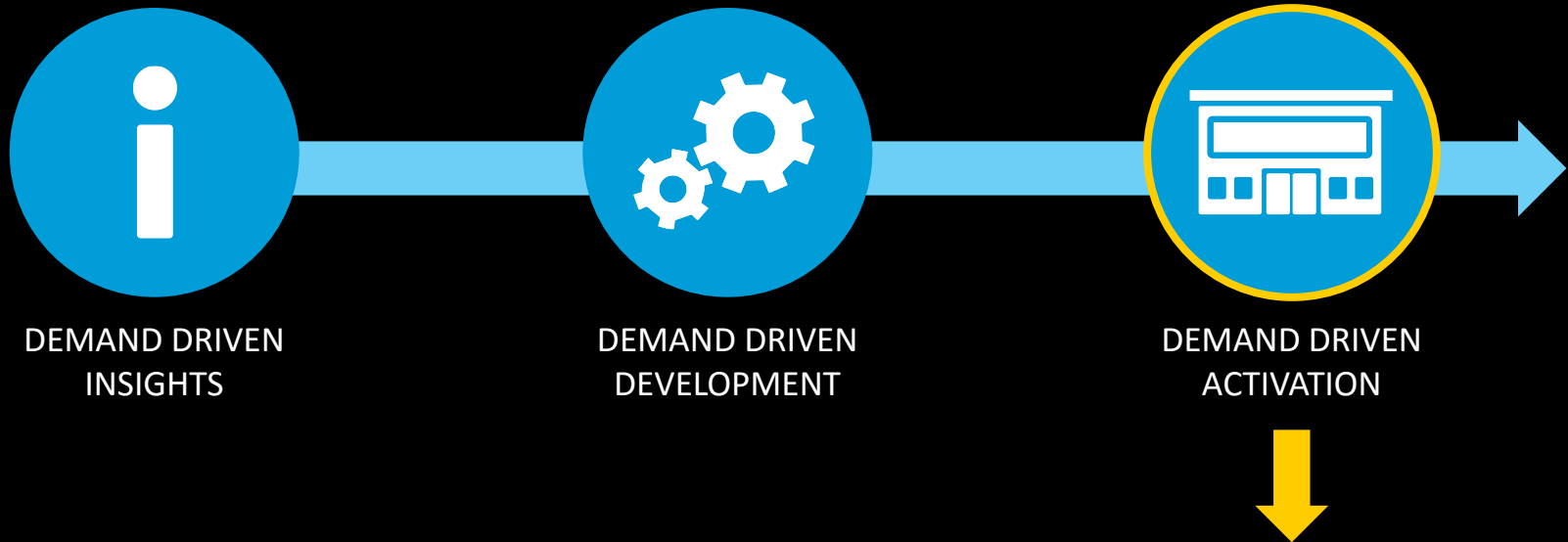
## CRAM

Dannon rushed development of their response to Chobani, and missed the authenticity hiring criteria

Reeses needed to mimic "cup" in poppable one-off

# DEMAND DRIVEN INNOVATION

Predictive of in-market success



**WINNING IN THE MARKETPLACE**  
*“Bringing the insight to life & energizing sustained success”*

# DEMAND DRIVEN INSIGHT FUELS EVERYTHING

Do *not* just hand innovation over to different team for commercialization



**Insight animates  
the creative execution**



**Strong in-store activation**



**Package design resonates**



**Sustain support into  
year 2 and beyond**

# TIE YOUR INSIGHT TO COMMUNICATION...

## Tidy Cats Lightweight Ad Campaign



# CARRY THE JOB INTO STORE ACTIVATION



“Find us in the cookie aisle”



>10M samples distributed



Bringing the benefit to life

# REFLECTING JOB SPEC IN PACK DESIGN

Confident to wear anything



Functional assurance

Typical underwear presentation

Call-out of protein



Aged up color scheme

Beveled edges suggest bursting with food

# SUSTAINED SUPPORT: FAST CARS NEED FUEL

## INCREMENTAL TRIAL

Marketing support



## STRONG DISTRIBUTION

Distribution quantity & quality



## SUCCESSFUL EXTENSIONS

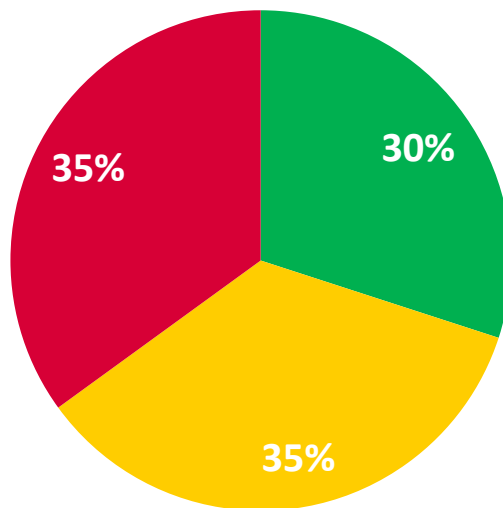
Additional items, sublines



# NOT EVERYONE CHOOSE LONG TERM SUCCESS

# Brands by Outyear Sales

*"35% of innovation brands declined in out-years"*



■ Grow ■ Sustain ■ Decline

## What these brands did:

- Year 2 advertising often 50% of Year 1 levels with little advertising in Y3-Y5
- Flat to slight decline in ACV

## What these brands did:

- Advertising in Y3 and beyond at least 50% of Year 2 support
- Stable ACV

## What these brands did:

- Advertising in Y3 and beyond at least 75-80% of Year 2 support
- Continued to increase ACV
- Launched additional items, often sub-lines

# INNOVATION IS A DISCIPLINE... NOT A CASINO GAME

We have the knowledge and the capabilities



**Demand Driven Innovation = Category Expansion**

An abstract graphic on the left side of the slide. It features a black vertical bar on the far left. From this bar, a series of curved lines radiate outwards, forming a cone-like shape. These lines are colored in a spectrum from blue to red. A grid of thin lines is overlaid on this structure. Several colored dots (yellow, green, purple, red) are placed at various points, with thin lines extending from them towards the right side of the slide.

# WHERE TO START?

# INNOVATION IS ALIVE AND WELL IN MEAT

*What circumstances of struggle remain unmet? How can we demonstrate our value in retail by catering to the consumer?*

*Mexican Night-Ready Meats*



*Fully Cooked and Sauced Baby Back Ribs*



*Pre-marinated Pork Loin*



*Bulk IF Chicken Breasts*

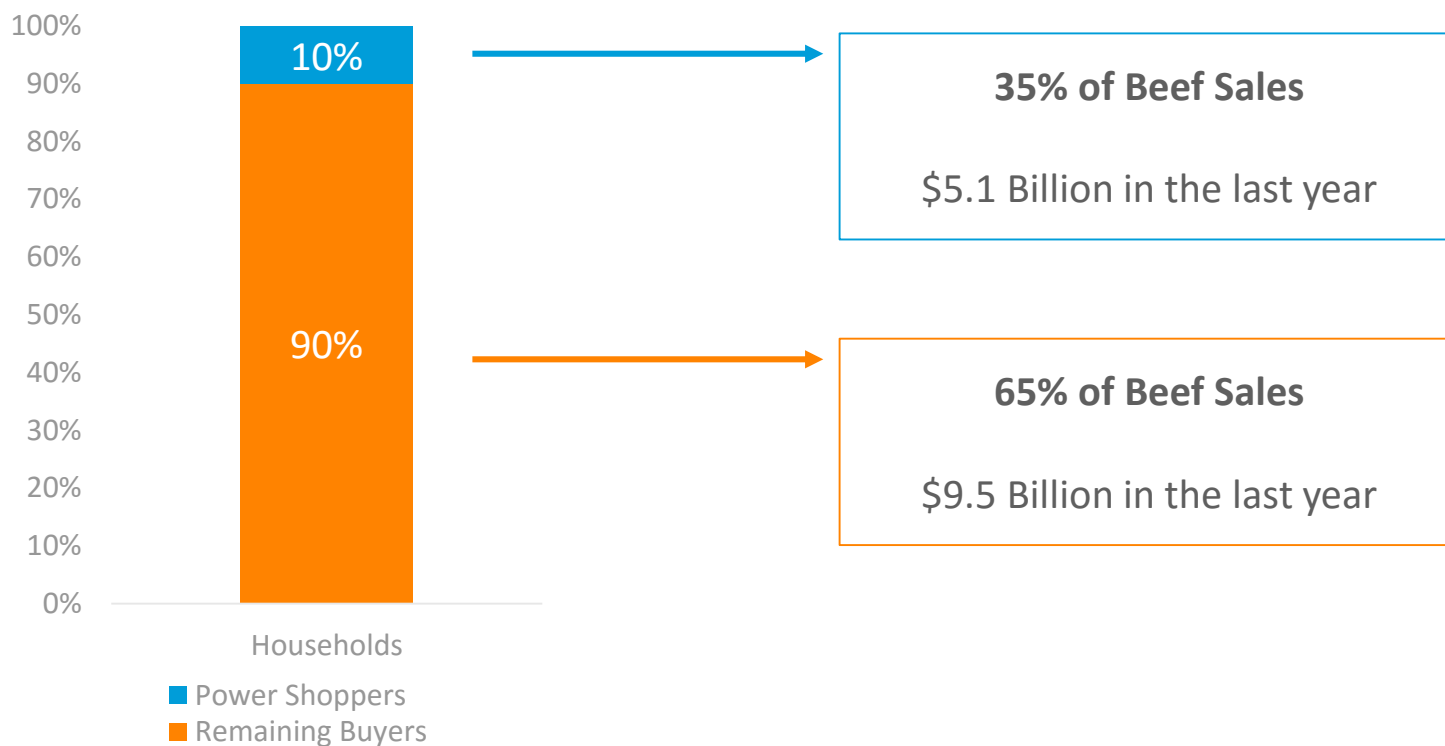


*Fully Grilled Chicken Breast*



# SIMPLY PUT THE CONSUMER AT THE CENTER

- ✓ Focus on consumers who demand the most from you
- ✓ Understand their circumstances of struggle
- ✓ Innovate with the goal of category expansion



# RE-THINKING INNOVATION IN RETAIL

*These lessons are broadly applicable – not just to center-store categories*

Products are services hired by consumers to **perform jobs**

**Circumstances of struggle** or unmet aspiration exist when a job is poorly performed

**Causal relationship** between circumstance and successful innovation

Successful innovation drives **category expansion**

**Category expansion benefits suppliers and retailers**

# THANK YOU

**Mikael Olson**  
Associate Client Director  
Nielsen Perishables Group



AN UNCOMMON SENSE  
OF THE CONSUMER™

