NEW PRODUCT TRACTION THROUGH TARGETED SHOPPER INTERACTION

How New Product Success Hinges on Small Concentration of Shoppers

CATALINA®

Personalized Digital Media

New Product Traction Through Targeted Shopper Interaction

Finding and engaging the right shoppers is critical to the success of new product launches, especially because the target is so small. On average, just 0.7 percent of shoppers made up 80 percent of volume for 50 top-selling new food and beverage products. Meanwhile, the inability to drive repeat purchases among those who try is costing manufacturers tens of millions of dollars for the average new product. On average, only 11 percent of triers during the first 26 weeks of a launch are still engaged with the new item after 52 weeks.

For the CPG industry, increasing the efficiency and return on new product launches is more important than ever. A challenging business environment has led manufacturers to become more cautious and selective about bringing new products to market. In fact, the number of product launches have declined for two years running, falling by 4.2 percent in 2013 and by another 4.6 percent in 2014, according to IRI. While there are many factors that influence the success of new products, the ability to efficiently reach and influence likely triers and repeat buyers is one of the most important.

Catalina conducted this study to assist manufacturers and retailers in their product launch planning and thinking. Catalina examined the consumer shopping behaviors of approximately 45 million shoppers for the 50 best-selling new food and beverage products, as defined by the IRI's 2014 New Product Pacesetters. (See Methodology on Page 4)

Our findings show that small concentrations of shoppers, significantly less than one percent on average, are driving the majority of volume for new CPG products. We also discovered just how valuable and scarce repeat buyers are for new products. The vast majority of shoppers who try a new product in the initial 26 weeks of a launch fail to buy again in the succeeding 26-week period. Given these shopper dynamics, it's critical for brand marketers to identify likely triers and repeat buyers of new products and effectively engage those who purchase to sustain their business over time.

This study also highlights the power of purchase-based, data-rich targeting and predictive analytics in driving the success of new brands and brand extensions. As this study demonstrates, engaging consumers based on purchase history will substantially increase trial and repeat. In addition, rapid intelligence about purchasing patterns and product availability can help brand managers significantly improve marketing efficiency and sales. For example, advertising and promotions too often are poorly timed with the availability of new products in stores, wasting significant resources on shoppers who cannot buy. In addition, early alerts about what's working and not working in new product launches—such as which new flavor is driving the most repeat purchases—can enable important marketing decisions while there's still time to redirect resources and spending.

KEY DISCOVERIES

- Just 0.7 percent of shoppers drove 80 percent of volume for top-performing food and beverage products after the first full year of sales.
- On average, 76 percent of franchise buyers did not try a new product extension.
- Consumers who purchased both existing products and new line extensions were worth, on average, nearly four times as much as other franchise buyers.
- On average, only 11 percent of triers in the first 26 weeks of a launch remained engaged with a new item after 52 weeks.
- Brands lose millions of dollars due to lack of repeat purchasing. If every trier bought at the same rate as those who repeated, the average new product would have grown revenues by $30.5 million in just the first 26 weeks of a launch in the subset of 11,000 stores tracked in this study.
- Reaching critical mass in distribution takes a long time. On average, it took 28 weeks for new products to reach 75 percent of their highest distribution within the Catalina network.

Smaller Consumer Concentrations Drive New Product Success

How many consumers does it take to drive the success of a new product these days? It's a question that has significant implications for brand marketers and retailers. The smaller the concentration of shoppers who will make or break a product launch, the more important it becomes to reach the consumers most likely to buy.

In 2008, Catalina presented a new and potent concept to the CPG and retail marketing vocabulary, the "Pivotal Point Consumer®". This pivotal consumer is the high-volume buyer that drives the vast majority of purchasing for any brand. In a study that year, Discovering the "Pivotal Point Consumer, Catalina" found that, for the average CPG brand, just 2.5 percent of shoppers made up 80 percent of sales volume. For new products, Pivotal Point Consumer concentrations are much smaller.

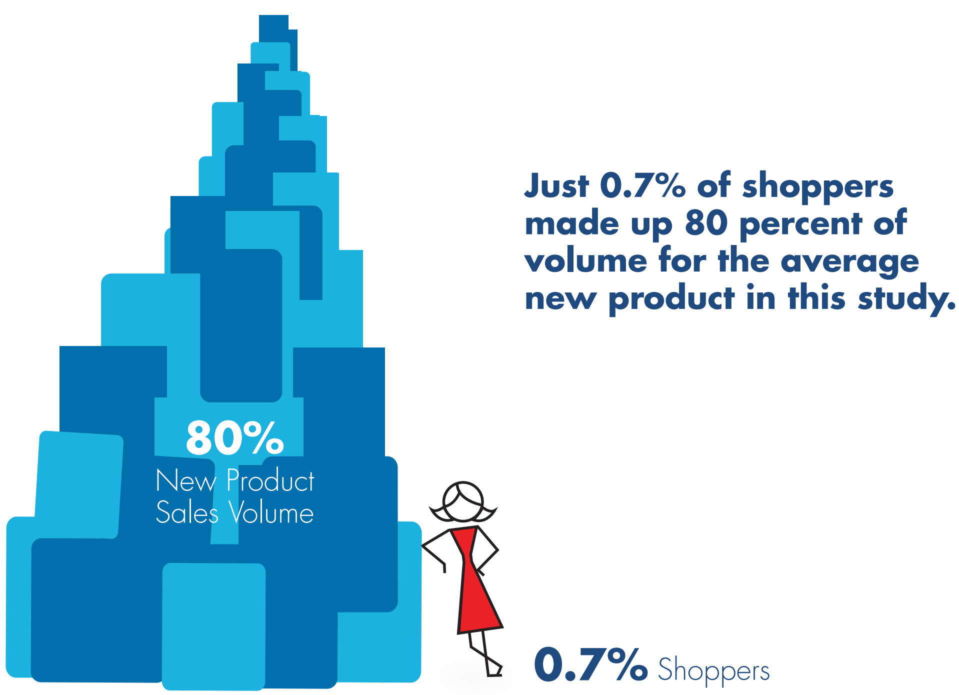
As this report shows, an extremely low percentage of shoppers drove 80 percent of volume for the products analyzed for this report. Among the 50 top-selling new food and beverage products tracked in this study, an average of just 0.7 percent of shoppers made up 80 percent of volume.

In fact, as shown in the table on pages 6 and 7, just eight of the 50 top-selling food and beverage products had Pivotal Point Consumer concentrations of more than 1 percent of shoppers. Only one had a Pivotal Point Consumer concentration above 2 percent; Yoplait Greek Blended had a concentration of 3.22 percent.

Fig 1

Finding the Pivotal Buyers

On average, just 0.7%, or 1 in 143 shoppers, accounted for 80% of volume for the average new product tracked in this report. These select shoppers were worth 4.4 times more than the average new item buyer.



Dynamics of Product Line Extensions

The vast majority (33 out of 50) of top-selling new food and beverage products were line extensions within existing franchises. Based on an examination of the impact of product extensions on existing brand franchises, many brands should do more to convert existing franchise buyers to try new products.

In this study, an average of just 12 percent of brand franchise buyers purchased both the new product extension and other products within the franchise. Another 12 percent bought only the new product. However, 76 percent of franchise buyers did not even try the new product. The analysis includes only products within a brand franchise that are in the same category as the new product extension.

Targeting existing franchise buyers could be a winning strategy for many brands. On average, buyers who bought both the new product and the existing franchise spent nearly 4 times more than franchise buyers who did not buy the new product.

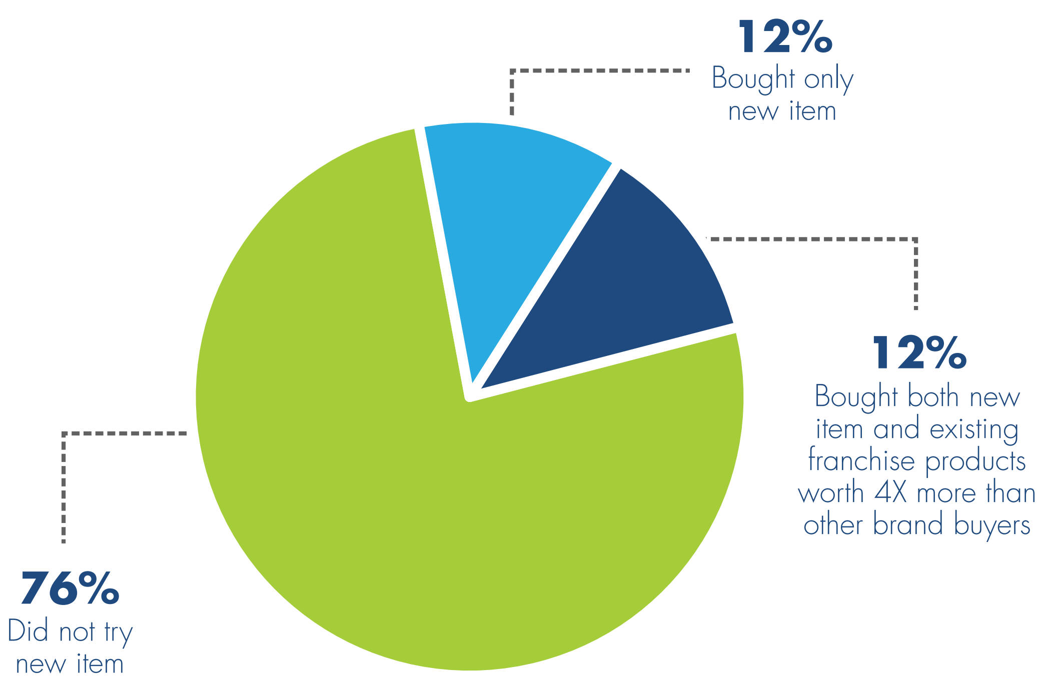
Seventy-six percent of franchise buyers did not even try a brand's new product extension.

Franchise brand buyers who also buy the brand's line extension are worth almost 4 times more than other brand buyers.

Fig 2

Are Too Few Brand Buyers Trying Line Extensions?

Existing brand buyers represent a major opportunity for growing trial and repeat purchase for new line extensions. However, 76 percent of franchise buyers did not even try the product line extensions tracked in this study. Franchise buyers who did purchase both new and existing items were worth nearly 4 times more than other buyers.



PIVOTAL POINT CONSUMER CONCENTRATIONS

The table below shows the concentrations of shoppers that make up 80 percent of volume for each of the 50 new products analyzed in this study. Only eight had Pivotal Point Consumer concentrations of more than one percent. Just one, Yoplait Greek Blended, surpassed a concentration of two percent.

GROCERY		
	Skinny Pop	**0.75%**
	Fiber One 90 Calorie Dessert Bars	**0.39%**
	Pop-Tarts Gone Nutty	**0.34%**
	Peets K-Cup Packs	**0.38%**
	Keebler Townhouse Pita Crackers	**0.81%**
	Nature Valley Soft Baked Oatmeal Squares	**1.02%**
	Red Lobster Cheddar Bay Biscuit Mix	**0.55%**
	KIND Healthy Grains Granola Bars	**0.87%**
	Nature Valley Breakfast Biscuits	**1.01%**
	belVita Soft Baked Biscuits	**0.43%**
	Olive Garden Signature Dressing	**0.96%**
	Betty Crocker Hershey Baking Mixes	**0.59%**
	Nature Valley Greek Yogurt Protein Bars	**1.61%**
	KIND Nuts & Spices Granola Bars	**0.83%**
	Campbell's Prego Alfredo	**1.60%**
	Hershey's Spreads	**0.38%**
	Kraft Velveeta Cheesy Skillets	**0.31%**
	Ultimate Helper Skillets	**0.58%**

BEVERAGE		
	Red Bull Editions	**0.25%**
	Mountain Dew Kickstart	**0.37%**
	Glaceau fruitwater	**0.50%**
	Starbucks Discoveries	**0.37%**

ALCOHOL		
	Bud Light Lime Straw-Ber-Rita	**0.14%**
	Redd's Apple Ale	**0.19%**
	REDD's Strawberry Ale	**0.15%**

DAIRY

	Lunchables Uploaded	**0.88%**
	Noosa Yoghurt	**0.54%**
	Chobani Simply 100	**1.41%**
	Yoplait Greek Blended	**3.22%**
	Activia Greek	**0.71%**
	Chobani Flip	**0.89%**
	Hormel REV Wraps	**0.37%**
	Oscar Mayer P3	**0.51%**
	Dunkin' Donuts Coffee Creamer	**0.89%**
	Silk Almond Milk Light	**0.77%**

CEREAL

	Nature Valley Protein Crunchy Granola	**0.58%**
	KIND Healthy Grains Clusters RTE	**0.80%**
	Hershey's Cookies n' Creme RTE Cereal	**0.60%**

SNACKS

	Cheez-It Grooves	**0.86%**
	Cheetos Mix-Ups	**1.18%**
	Cheez-It Zingz	**0.75%**
	Pepperidge Farm Goldfish Puffs	**0.73%**

FROZEN

	DiGiorno pizzeria!	**0.67%**
	Bertolli Rustico Bakes	**1.10%**
	Fruttare Fruit Bars	**0.53%**
	Old El Paso Frozen Meals for Two	**0.24%**
	Sara Lee Snack Cakes	**0.71%**
	Johnsonville Meatballs	**0.28%**

BABY

	Ella's Kitchen Baby Food	**0.10%**
	Similac Total Comfort	**0.01%**

Too Few Repeat Buyers

New product success, of course, depends on driving both trial and repeat. However, winning and keeping repeat buyers is one of the biggest challenges facing any new product. In fact, on average, only 11 percent of shoppers who try a new item during the initial 26 weeks of a launch are still engaged with the product at the end of 52 weeks.

The average rate of repeat purchase was 23 percent during a 26-week trial period. However, 53 percent of repeaters during the trial period did not continue to purchase during the next 26 weeks. The lost opportunity from non-repeaters is significant. Comparing the value of repeaters versus non-repeaters during the initial 26 weeks of a launch, the average new item lost some $30.5 million in potential revenue due to non-repeats during the initial trial period in the subset of 11,000 stores in this study. The loss from those who failed to continue to repeat after the initial 26 weeks was another $4.1 million.

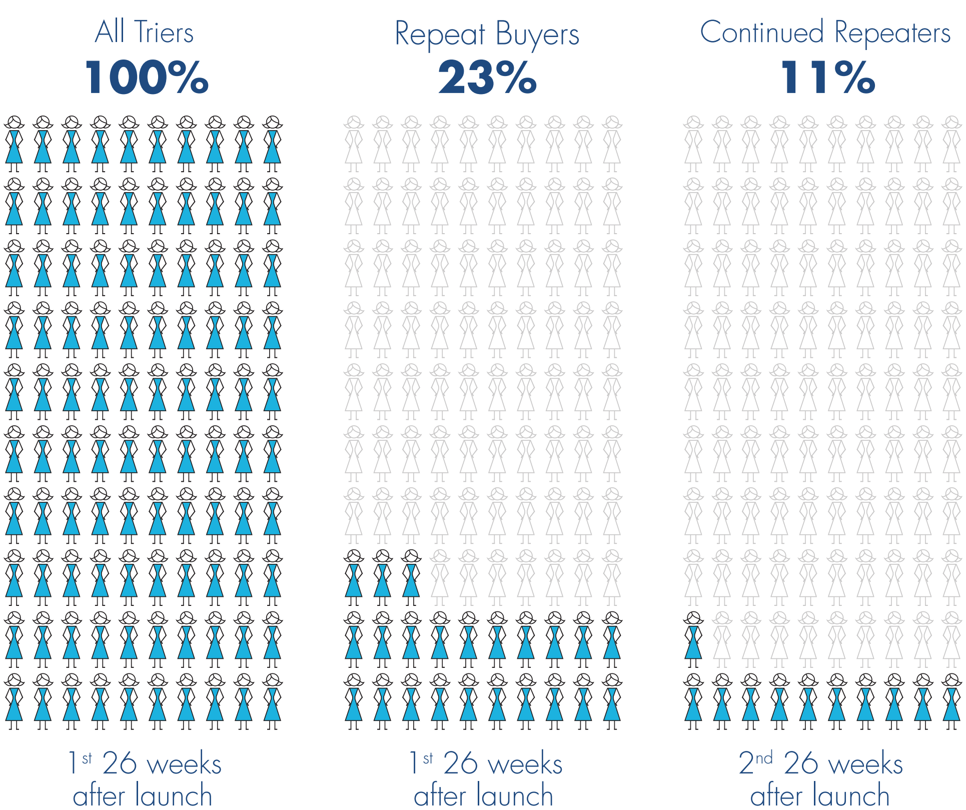
The alarmingly low percentage of initial buyers who continue to stay engaged with a new item for a full year underscores a critical challenge. How can brands and retailers find and acquire the right buyers during a launch? How can they identify the shoppers who are most likely to become longer-term repeat purchasers? It also highlights the importance of engaging with these shoppers over time to retain their business.

Only 11 percent of shoppers who try a new item in the first 26 weeks of a launch are still engaged with the product at the end of 52 weeks.

Fig 3

The Repeat Purchase Problem

On average, only 11 percent of triers remain engaged with a new item after 52 weeks. Twenty-three percent of triers in the first six months of a launch repeated their purchase during that period. However, more than half of those repeaters failed to buy again in the next six months.



Timing New Product Promotions

Untargeted and demographically targeted national advertising campaigns and promotions are highly inefficient in reaching likely buyers. A past Catalina study, entitled "Deconstructing Demographics," shows that demographic-based media plans treat all buyer groups equally, no matter what their value to a brand. For new products, another significant inefficiency in advertising and promotions is lack of timing. Far too often, advertising and promotions reach shoppers before or long after new products reach store shelves.

On average, it took 28 weeks for new products in this study to reach mass availability, i.e., 75 percent of their highest distribution in stores tracked in this study. This long delay creates significant challenges in efficiently maximizing the impact of national advertising and promotions.

Many shoppers may be hit with initial ads and FSI promotions with no ability to purchase the product in their store. Conversely, a new product may have little or no advertising or promotional support while it sits on store shelves, as the brand manager waits for further distribution. Between the time of launch and the activation of mass advertising, early adopters may try the new item. However, without a vehicle to drive awareness, only a small percent of potential triers will become organically aware and try the product. Meanwhile retailers begin assessing item velocity and consumer demand before mass media is activated, potentially resulting in the item being discontinued.

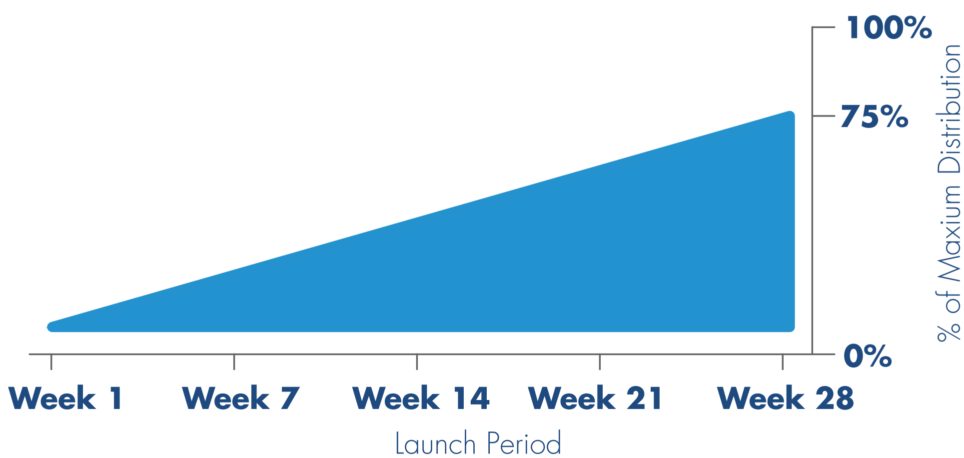
Catalina frequently provides the vehicle to efficiently drive awareness and trial among likely buyers prior to the launch of any national advertising campaign. Catalina-powered marketing is activated store-by-store as soon as the new product scans at checkout for the first time, ensuring that the right shoppers are aware of the new item as soon as it becomes available in the store in which they shop.

On average, it took 28 weeks for the new products in this study to reach mass availability within the stores tracked in this study.

Fig 4

Long New Product Distribution Delays

The average new product in this study did not reach 75 percent of its highest distribution until 28 weeks after it first appeared in stores. The delay creates major inefficiencies for national mass media campaigns. Brand managers who don't use Catalina either waste ad and promotional spend on consumers who can't buy in their store, or they leave new items sitting on shelves without shopper awareness.



Predicting Likely Buyers

Finding and engaging the consumers most likely to try and repeat is critical to any product launch, particularly when an average of less than one percent of shoppers drives the vast majority of sales. So who are the most likely buyers? Past Catalina research into new products has demonstrated that heavy category buyers are much more likely to try a new product in that category. In addition, for product line extensions, existing franchise buyers are far more likely to try. Both of these groups also tend to repeat their purchase more often than other triers.

Catalina utilizes predictive modeling to help manufacturers and retailers identify the shoppers most likely to try and repeat the purchase of new products. Catalina's system looks at as many as 400,000 different attributes from its "product dictionary" to begin to build a predictive model, utilizing statistics and mathematics to identify key buyer characteristics and rank shoppers from most to least likely to buy. While heavy category and heavy brand buyers are not necessarily preselected as targets, they are typically part of the final mix of targeted shoppers.

Targeting the top two percent of shoppers in a Catalina predictive model drives trial rates five times higher than the natural trial rate.

Over hundreds of new product launches, Catalina has demonstrated the power and performance of predictive modeling and targeted media delivery in driving increased trial and repeat purchasing. Rigorous testing and measurement versus control groups across more than 250 campaigns has demonstrated that targeting the top 2 percent of shoppers as scored in Catalina's predictive model typically drives trial rates that are 5 times higher than the natural trial rate. Targeting the top 10 percent of shoppers in the model typically results in a trial rate three times the natural rate.

Catalina's new product campaigns can integrate advertising messages and incentives delivered across its mobile, online and in-store networks. This unique omnichannel capability can reach every shopper in the more than 28,000 U.S. stores within the Catalina network based on buying preference, representing approximately 260 million shoppers and 80 percent of American households.

STUDY IMPLICATIONS

INSIGHT	RESPONSE
On average, just 0.7 percent of shoppers drove 80 percent of volume for the new products tracked in this study.	Retailers and manufacturers need to understand and engage shoppers based on their buying patterns and preferences to be sure they reach and influence the small percentage of consumers who will make or break the success of new products.
76 percent of brand franchise buyers did not try the product line extensions tracked in this study, but those who did try were worth an average of almost 4 times more than other franchise buyers.	Delivering the right product messages and incentives to existing brand buyers represents a major opportunity to improve the performance of new line extensions.
Just 11 percent of triers in the first 26 weeks of the average new product launch remained engaged with the item after 52 weeks.	Retention is at least as important as customer acquisition to the success of any new product. Retailers and manufacturers need to keep customers engaged by delivering the right incentives and messages to efficiently sustain purchasing over time.
On average, it took new products 28 weeks after launch to reach 75 percent of their highest distribution with the Catalina network.	Advertising and promotions that can be timed to reach shoppers when new products reach individual store shelves will eliminate waste and improve the impact of marketing spend.

Conclusion

Very small consumer concentrations drive the success of new brands and brand extensions. These pivotal consumers represent a highly valuable and critical audience that is difficult to reach efficiently through most forms of media. In fact, on average, just 0.7 percent of shoppers drove 80 percent of volume for the products tracked in this study. At the same time, retaining those who try is a major challenge. In fact, just 11 percent of triers in the first 26 weeks of a launch remain engaged with the product after 52 weeks.

As this report shows, purchase-based targeting and predictive modeling can help find and engage the consumers that truly matter to new product launches. Targeting the top two percent of buyers in a Catalina predictive model for a new product typically drives trial rates that are five times greater than the natural trial rate. At the same time, retailers and manufacturers need to stay engaged with new product buyers beyond the first year of a launch to ensure the ultimate success of new products.

Methodology

The findings of this Catalina study are based on an examination of the consumer purchasing dynamics of the 50 top-selling new food and beverage products as defined by IRI's 2014 New Product Pacesetters study.

Only Catalina observes the daily purchases over 260 million shoppers at nearly 30,000 grocery, drug and mass stores across America and can target those individual shoppers based on their purchase behavior across every UPC in the store. For this study, we analyzed a subsection of Catalina's total network, examining purchasing across 45 million consistent shoppers at over 11,000 U.S. grocery stores. A consistent shopper is one that shops at least 2 times every 8 weeks for seven consecutive eight-week periods.

About Catalina

Catalina's personalized digital media drives lift and loyalty for the world's leading CPG retailers and brands. Catalina personalizes the consumer's path to purchase through mobile, online and in-store networks powered by the largest shopper history database in the world. Catalina is based in St. Petersburg, FL, with operations in the United States, Europe and Japan. To learn more, please visit **www.catalinamarketing.com** or follow us on **Twitter @Catalina**.

If you're interested in learning more about how Catalina can help you drive the success of new products, please call **1-877-210-1917**.