Innovation That Drives Growth in the Omnichannel Environment: Successful New Product Strategies to Break Through Unlimited Consumer Choice
The Market Has Fundamentally Changed

With limitless access to a wide range of nearly everything and every product, shoppers today experience a completely new—and always evolving—retail landscape both in-store and online. Manufacturers and retailers also experience the retail landscape differently, so it is imperative they approach their strategic goals for innovation with a new perspective.

Digital and mobile platforms have created a new shopper journey, offering many additional ways to engage and influence consumers. Unlike a predefined aisle of a brick-and-mortar retail outlet, the online world transforms a shopper’s decision set. With this new decision set, shoppers are just a click away from endless solutions.

The vast range of solutions available online today has fundamentally changed the CPG new product innovation and activation game. And it has opened up the roster to nearly all players (see exhibit 1). Traditional brick-and-mortar brand leaders don’t control the pace of innovation or the trends.

E-commerce is any player’s game to win—big and small players, national brands and store brands all have a vested interest and a fair shot at winning with new products.

When it comes to successful innovation, e-commerce has changed the dynamics, so all players have new rules to consider. The digital shelf may appear to be limiting on the surface because of consumers’ limited attention spans and navigation requirements, but successful marketers know they can leverage e-commerce as a differentiator by meeting consumer needs, connecting with them online and optimizing search to win purchases. The omnichannel marketplace is forcing new products to compete in what seems to many to be an environment of unlimited product choice by addressing key consumer needs with clear product positioning that is consistently communicated. Comprehensive content marketing and search terms are mission critical, and aligned strategy for new product development and marketing is imperative.

EXHIBIT 1

Traditional brand leaders can quickly become unseated in the e-commerce realm.

<table>
<thead>
<tr>
<th>Category</th>
<th>MULO In-Store Share</th>
<th>Online Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dish Detergent</td>
<td>28%</td>
<td>13%</td>
</tr>
<tr>
<td>Dried Meat Snacks</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Internal Analgesics</td>
<td>16%</td>
<td>7%</td>
</tr>
<tr>
<td>Coffee</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Soap</td>
<td>13%</td>
<td>10%</td>
</tr>
<tr>
<td>Snack/Granola Bar</td>
<td>13%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: IRI MULO POS and IRI E-Market Insights™, 52 weeks ending June 25, 2017
Rules for Success

While in-store, shoppers can look, feel and engage with brands and products, very easily comparing competitive sets and making choices based on ingredients, claims, packaging or even promotion. This hands-on experience can instill consumer confidence and lead to purchase, but offerings are limited by the physical square footage of the store and the assortment particular to that retail outlet. The online world is very different. While shoppers cannot have the same tactile experience, the unlimited shelf opens endless possibilities to meet consumer needs. It is key, though, to harness consumers’ limited attention spans.

A sharpened focus on innovation must be at the center of online strategy to win at e-commerce – it is a critical component of growth plans. CPGs need to focus on innovation that will engage and activate, from the concept stage to online execution, where unlimited choice means concerted efforts to drive relevant and clear product exposure. CPG and retailer leaders in this space have shown that innovation that breaks through unlimited choice in the omnichannel environment follows new rules for success.

• Understand the Modern Market Landscape
• Focus on Benefit and Value-Driver Positioning
• Ensure Cohesive Content and Synced Search
• Build Loyalty Through Annuity

By adhering to these rules and activating upon the tenets that spurred them, manufacturers and retailers can collaborate to broaden their innovation lens and win with new products across channels. Innovation in the omnichannel world needs to take into account the broader lens through which shoppers view CPG – the new market landscape solves needs and redirects thinking from a category-focused approach to product solutions.

People expect the digital world to respond to their personal needs, and e-commerce is no exception. Personalization is an expectation today, and while it can pose challenges, CPGs need to make an emotional connection with the needs and wants of individuals. Winning in the marketplace today demands personalized efforts, as nearly everything from coffee drinks to technology is unique to each consumer.

The four rules of success require manufacturers and retailers to start with shoppers’ needs instead of product features to build compelling products – indeed, solutions! – that will make an impact in the e-commerce marketplace and take hold across the omnichannel landscape.

“Our formula for success will continue to allow us to build our portfolio of brands that consumers love, accelerate innovation, complete revolutionary acquisitions and build our balanced model across all of our businesses.”

JIM SNEE, HORMEL PRESIDENT AND CEO
Understand the Modern Market Landscape

For CPGs, there is both promise and peril with the evolution of the modern market landscape because new product opportunities are so varied across categories and with each unique consumer.

Unlimited choice has redefined competitive sets and accelerated the shift from form- to benefit-based landscapes—making new product positioning even more critical for driving relevance and purchase conversion. Historically, occasion- or ingredient-based products would get rolled into the market to fill a more general need and purpose. Today, the expectation is that products inherently fill a need and a purpose but go one step further by taking the functionality to more depth and making a personal connection—empowerment, emotional satisfaction, for example. An understanding that shoppers are shifting their focus from basic needs to transformative and emotional value drivers is critical.

Single-purpose solutions are a simplified model, while today’s shoppers want complete brand offerings to meet all of their complex and daily needs.

For products to deliver innovation that breaks through, CPGs have to view the entirety of the emerging benefits-driven marketplace. IRI’s Hendry Market Structure pinpoints opportunities for growth and innovation across a wide range of market categories, while also improving forecast accuracy and giving marketers actionable information. This framework for innovation will ensure a complete understanding of the modern market landscape and illuminate how innovative new products can break through.

Laddering up to larger needs means that manufacturers and retailers can deliver more and create stronger, broader shopper connections across categories. Further, the Hendry framework identifies competitive products and the products that newly define a market

“The [Hendry] forecast validated our hypothesis that premium segment A could be a $50-million-plus business. It helped senior leaders understand what a premium business could look like.”

GLOBAL FOOD, SNACK AND BEVERAGE MANUFACTURER

Market Evolution

- **Occasion Based**
- **Ingredient Based**
- **Package Based**
- **Brand Based**
- **Benefit Based**
as prescribed by shoppers’ needs (see exhibit 2). The framework allows CPGs to see the market as shoppers define it, identifying true competitive sets based on actual consumer behavior and the associated product benefits. This framework confirms where a CPG product portfolio currently competes and reveals adjacencies and attractive white-space areas for innovation.

Challenging, however, for e-commerce players seeking to connect with shoppers is that the modern marketplace provides a home for limitless choice, yet that does not necessarily mean shoppers know about those choices. Innovating and putting new products in the digital world entails building shopper exposure – new products can’t succeed if shoppers don’t know they are there!

IRI’s ongoing New Product Pacesetters research underscores the difficulty of breaking through in the crowded CPG landscape. Of the 12,000+ new brands that enter the marketplace in a given year, an estimated 90 percent fail to meet the expected goals. This is partly due to unrealistic expectations – manufacturers and retailers may find it hard to swallow, but new product success looks much different now than in decades past. Today a $25-million innovation across channels is notable, compared with $100-million aspirations once expected in order to earn the badge of success. Because consumers want more personal, targeted and unique CPG solutions that meet their own distinct needs, success has a new definition. Accurately quantifying the ideas that hold the most promise in the modern market landscape is essential.

With Always Discreet, bladder leaks can feel like no big deal!
The Experience – empowerment, freedom to move
The New-Age Convenience – technology has generated a thin liner with high-absorption capabilities

**EXHIBIT 2**

**Shift From...**

<table>
<thead>
<tr>
<th>Form</th>
<th>Empower</th>
</tr>
</thead>
<tbody>
<tr>
<td>LINERS</td>
<td>CONFIDENCE</td>
</tr>
<tr>
<td>ABSORBENCY – LIGHT TO ULTRA ABSORBENT</td>
<td>FREEDOM</td>
</tr>
<tr>
<td>PAD FORM – THIN TO OVERNIGHT</td>
<td>TRUST</td>
</tr>
<tr>
<td>UNDERGARMENTS</td>
<td>NORMALCY</td>
</tr>
</tbody>
</table>

Successful new products assess the changing landscape to identify the larger market opportunity. Always took a product portfolio delivering mainly on form and tapped consumers’ emotional connections to a highly personal product. The brand empowered users and put messaging behind its products, building a brand image and high loyalty.

- Always leveraged the new benefits-driven landscape to identify an opportunity around function and design, enabling women more freedom from bladder leaks.
- This line is now a $166 million business, experiencing 185 percent growth during the past three years!
Focus on Benefit and Value-Driven Positioning

In what was once a highly utilitarian culture, products that delivered on price, taste, nutrition or convenience satisfied shoppers. However, today’s culture is experiential and participatory as consumers’ drive for products very much includes emotional connections (see exhibit 3).

Shoppers today seek products that will:
• Create an experience
• Support health and wellness efforts
• Deliver a new-age convenience (for example, Amazon Prime, Blue Apron)
• Have a social impact
• Produce added transparency
• Enhance safety

Breaking through the clutter requires building a product story that not only conveys these elements, but also underscores how the product fits into the consumer’s life. This shift in product positioning requires new strategic approaches to capture the attention of the shopper and spur purchase behavior.

By knowing the shopper and viewing the marketplace through his/her eyes, CPGs will be well positioned to deliver the right product at the right time, and with the right message. Messaging is critical to making connections and educating consumers about the innovative, needs-based products available to them both in brick-and-mortar stores and in the e-commerce realm.
Ensure Cohesive Content and Synced Search

Best-in-class content is a key to a product’s story and positioning. With almost no limit on space and consumers now used to getting flooded with options and messaging, shoppers’ attention spans are waning, requiring new strategies to elevate awareness. From headlines through to detailed sites and reviews, search-optimized content helps navigate the new shopper journey and purchasing decisions.

The best content drives shoppers to purchase because it responds to a need, fulfills a desire and truly delivers on the benefits they are searching for in a particular session (see exhibit 4). For this reason, it is essential to leverage high-value attributes and higher-level benefits that represent the modern market landscape when crafting key word strategies.

A brand message with cohesive content and synced search highly increases the probability of a new product being found—and purchased. New product positioning must translate to a fully integrated brand message as part of a holistic content marketing strategy.

Being just a click away from endless solutions means pre-shopping and influences are more important than ever—a lost sale is just a click away. Consistency all along the path to purchase is imperative.

- **BUILD**: search-engine-friendly keywords will attract and advertise; strong content is key.
- **DRIVE**: drive traffic to your site; drive to e-tailers; convert consumers to shoppers to buyers.
- **EARN**: building a community around sites and innovative products attracts like-minded shoppers, builds a social network and earns loyalty and sales.

Content marketing must use a strategic approach focused on creating and distributing valuable, relevant and consistent content to attract and retain a clearly defined audience.¹

Further, key search terms have never been more important—to gain exposure, a new product needs impressive search results. Linking customer needs to search terms will drive trial, and often, optimizing this content is as simple as just one strategic word. By adding the top category keyword to product names online, results will grow exponentially and give a product larger share of (virtual) shelf.

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¹Content Marketing Institute
Build Loyalty Through Annuity

With a needs-focused product, great positioning and elevated search results, a new product is poised for success. But ensuring that the product or brand choice is ongoing is the next endeavor. From click-and-collect to stock-up strategies and automatic replenishment, there are many strategies to try.

The omnichannel marketplace has indelibly changed shopper trip frequency and trip behavior, enabling new ways to lock in shopper loyalty (see exhibit 5).

Subscription services can help shoppers enjoy a better shopping experience, thus creating loyalty through annuity. And new products can—and should—play a role. Successful new products shrink the path to purchase and make repurchase and pantry loading turnkey.

In the online space, subscription services are at the heart of the loyalty strategy so far. To build loyalty through annuity, invest to understand the subscription marketplace—which products and which shoppers are ideal candidates—to turn one-off transactions into an ongoing relationship. Get them hooked and into a situation that requires fewer purchasing decisions, less often!

Always leverages several strategies to lock in shopper loyalty:

- **Build Loyalty Through Annuity**
  - The brand website is highly personalized and enables ease of purchase for specific products through a direct link to available e-tailers.
  - Large pack sizes are offered online, reflecting regimen opportunity and taking consumers out of the purchase cycle for a longer period of time.
  - The brand participates in Amazon’s subscription service for ongoing purchase.

**EXHIBIT 5**

**Online Offers Large Pack Size – locks in loyalty**

**Reduced Weekly Grocery Store Shopping Trips**

<table>
<thead>
<tr>
<th>2012: 2.2/WEEK</th>
<th>TODAY: 1.6/WEEK*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big-Box Store Traffic Also Declining:</td>
<td></td>
</tr>
<tr>
<td>-28% TRAFFIC</td>
<td></td>
</tr>
</tbody>
</table>

*Source: FMI

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**Shop now on Website – connects to online retailers**

*About the product:
- Absorbent inner fabric that stays dry.
- Rayon/Spandex blend keeps your legs dry for hours.
- Designed for heavy flow days or nights.
- Unique “Longtail” design pulls the core closer to the body for a discretely comfortable fit.
- Portable 3-pk.
- Exclusive LeakGuard gets your beneath dry from edge to edge for serious coverage.
*
Action Steps

Successful new product propositions are challenging— with even more risk across the omnichannel market and specifically e-commerce. But there is abundant opportunity and room for players of all sizes and endless categories to take root. Broken down, it’s simple:

Identify incremental white space opportunities
Create breakthrough products and support plans
Optimize distribution, trial-driving activities and strategic media planning
Assess performance and course correct quickly

Certainly product innovation in the new world is anything but simple, but there are proven rules and strategies to bolster efforts for CPG manufacturers and retailers alike (see exhibit 6). Furthermore, it’s critical to note that e-commerce is the great equalizer. Smaller, niche companies and brands can compete very effectively and efficiently online. A number of case studies have illustrated that smaller brands, in fact, can be top sellers on Amazon, while not achieving nearly that success at brick-and-mortar outlets. The rules have evolved to reflect omnichannel strategies, often to the benefit of new product innovators without giant CPG or retail muscle behind them.

Sharpening focus on omnichannel strategies within the innovation process can enable greater new product success.

OMNICHANNEL NEW PRODUCT PROCESS

Cross-channel shopper-driven landscape
Prioritize new product ideas based on size of the prize and incrementality—Cross-channel and channel specific
Reach new product consumer target to drive meaningful sales: in-store distribution, e-commerce sites, digital
Track and assess a brand’s holistic online and offline performance

Getting established in a consumer’s consideration set is critical to driving awareness and loyalty in the world of the limitless shelf. A tenet of the new product strategy already, the cycle of awareness, trial, repeat has never been more critical given the ease with which purchasing decisions can change.
Consider This

To grow and win with innovation in an omnichannel marketplace, brands – both new and established – have to work hard. They have to break through the clutter to thrive.

Critical questions can guide the way:

• How has your portfolio footprint changed in the context of the true competitive environment to inform new product strategy?

• How do you create relevant/meaningful positioning that will create awareness and trial in this unlimited-choice space?

• How does your new product become part of the consideration set to drive repeat and loyalty?

• How do you mitigate risk and accelerate innovation in this dynamic environment?
Resources

Solutions and Insights from IRI
To serve the CPG and retailer community as it navigates e-commerce, IRI has built the industry’s leading e-commerce suite of solutions. Focused intensely on innovation, IRI’s Hendry Market Structure helps size white-space opportunities and forecast new product concepts by building broad-based, shopper-defined category definitions across the evolving omnichannel environment.

The road map to successful innovation uses a proprietary switching model instead of basic regression analysis or judgment-based groupings. The foundation of this model is actual shopper behavior augmented with attitudinal and usage data or even data that is custom collected.

IRI’s partner, MachineVantage at the University of California, Berkeley, suggests that 95 percent of decision making is done subconsciously. By relying on actual shopper behavior rather than claimed behavior, the Hendry model uncovers the unconscious trade-offs behind purchase decisions, producing more reliable and more specific results. This allows early innovation and doubles the likelihood of new product success. It also avoids expensive failure.

Consumer and Shopper Marketing Center of Excellence
Another resource, IRI’s Consumer and Shopper Marketing Center of Excellence leverages IRI’s vast shopper marketing data cloud to develop deeper shopper insights, segment planning, opportunity sizing and activation strategies that empower its customers to win the sale and the shopper.

IRI solutions help marketers connect with consumers and shoppers one household and one store at a time, across as many touch points as possible, along the new path to purchase.

IRI’s Product Innovation Practice specializes in helping CPG retailers and manufacturers quickly and accurately evaluate the size and power of their innovative ideas. Based on a combination of shopper behavior, attitude, usage and point-of-sale data, IRI’s time-tested and transformative approach reduces risks, increases success rates and avoids expensive new product failures. Product Innovation is one of five practice areas within the Consumer and Shopper Marketing Center of Excellence, which also includes Consumer Insights, Survey & Segmentation, Shopper Analytics and E-commerce.
BUILD
a presence on e-tailer sites
as good as owned-brand
web pages.

DRIVE
shoppers to your brand
presence on e-tailer sites
with media executions.

EARN
online through integrated
marketing and media
executions online and in-store.

To build a road map to execute, win and grow with e-commerce, contact IRI.
WWW.IRIWORLDWIDE.COM  866-262-5973