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FMCGe News Article

**Will 'sunny weather drinking'
return this year for the drinks
industry?**

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Will ‘sunny weather drinking’ return this year for the drinks industry? This week’s unseasonal temperatures in St. Paddy’s week hint at recent days gone by

By Andrew Tharme, Joint Managing Director, The Oxford Research Agency

The drinks industry will be hoping that this year’s key celebratory events, coinciding with sunny days, will help stimulate on-trade footfall and in home volumes, despite the ‘r’ word. In parallel, continued off-trade aggressive behaviour on pricing and this week’s paradoxical debate about the possible introduction of minimum pricing to help curb alcohol misuse is the latest in a long line of headaches for the industry to front up to.

Through it all, The Oxford Research Agency continually aims to help drinks manufacturers focus on achieving market success and offers some helpful tips to the industry:

1. *Meaningful* brand equity and *relevant* innovation

Faced with continual pricing pressures and declining volumes, it must feel difficult to continue to invest in the brand and innovate. However, we know that a strong brand and well researched *targeted* innovation is the best strategy for achieving growth. Market share gains are triggered by new, interesting and, most importantly, *relevant* innovations. Knowing what relevance means this year is key for the drinks industry with brand values and value for money being more important than pure price. We are helping our clients capitalise on emerging trends, such as the return to buying British (wonderfully captured by Coors’ current Carling campaign) and new drinks’ flavours to accompany the increase in the in-home eating experience.

2. Pre-launch success – more important to prove than ever

Rather than reducing product development and launch activity it is far more effective to maximise the chances of success in-market. Innovation needs to be completely transparent in what will be achieved in-market. The pre-launch volumetric measurement of sales potential can be too little too late, i.e. 2-3 years of pipeline activity becomes a running of the gauntlet when it comes to launching a product that underperformed in the final mix test. In a recession, these chances cannot be taken - the NPD process needs to be bullet-proof when it comes to predicting market potential *and* knowing how to reformulate to save wasting significant investment.

The Oxford Research Agency conducts volumetric research early in the development cycle, generally at the traditional Concept Product Test stage of research (and even earlier at the concept potential/screening stage). One client who moved their NPD programme to The Oxford Research Agency commented that this approach “...saved us £500,000 a year and significantly improved the level of insight from every study...”.

3. Using the right measures

The on-trade and off-trade are very different consumer environments. Each needs to use different measures of success in pre-launch testing. On-trade sales modelling needs to accurately simulate the role of bar staff and managers in recommending new drinks: Stand-out needs to be accurately measured; sessionability of drinks has to be evaluated; in-depth qualitative insight will identify new key insights. The Oxford Research Agency has developed a research methodology to combine all of the key sales drivers and improvement diagnostics for the on-trade environment.

In the off-trade, spontaneous recall of new packs on shelf, the power of pack communication, brand equity and product performance all play a part in the sales forecasting.

4. Innovation by communication

The key word – *relevance* – can be addressed effectively through repositioning and targeted communication as opposed to the need for high risk new brand development. The Oxford Research Agency has been witnessing a spend trend into packaging as a high ROI communication vehicle. The right packaging changes can deliver significant volume uplifts from the bar or shelf, enhance brand equity, and gain perpetual favour by living with consumers every day. The Oxford Research Agency has unique and holistic packaging ROI tools that *prove* the worth of packaging changes for the drinks industry.

5. And if you have to do this in some areas.....cost cutting with confidence

Naturally, there may be a need to cut costs. Cutting costs in an arbitrary and ruthless fashion may come back to haunt post-recession. For example, product reformulations using cheaper ingredients will surely cut costs but may damage sales and brand equity. Cutting out packaging complexity should also cut costs but crucially, one should ask: is what remains adversely impacting stand-out, consumer appeal and brand image?

To truly cost cut with confidence, the right mix of action standards needs to be established, measured and trusted to ensure that consumer alienation does not occur and that the business is well placed when a recovery starts.

To find out how The Oxford Research Agency can help the drinks industry, please contact Andrew Tharme (andrew.tharme@tora.co.uk or call 01865 728272 / 07970 962091).