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FMCGe News Article

In NPD, More is More

Wed 7th January 2009

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2009 will be an exciting year for food and drink, as new opportunities for better products and ideas present themselves. With pressure on budgets, different NPD strategies are being considered.

New research from The Oxford Research Agency shows that care and consideration needs to be taken in the NPD approach you follow. In NPD, Less is Less, and More is More.

Companies follow many different strategies in terms of NPD. Every day we work with clients focused on one piece of NPD a year, compared to others that may launch 20 or more pieces of NPD.

Sure-fire NPD does not exist

Examining sales data, just 15% of all new products remain in market after 3 years (source Nielsen). At The Oxford Research Agency, 60% of products we recommend launching remain in market after 2 years.

Regardless of the success figures used, it is clear that not all NPD works. There are many reasons for this, from internal issues - capacity restraints, sourcing issues, packaging issues, lack of distribution, etc – through to external issues, such as competitor reaction, price and own label reaction harming sales.

With up to 85% of NPD leaving the market after 3 years, it is clear that factoring in low success is vital for all brand teams.

High Risk = High Failure

Our analysis shows that the potentially bigger wins, with higher volume and value predicted, tend also to be the riskier launches with lower success rates.

High volume opportunities, especially in new categories to the client, have a greater tendency to fail. They generally need a lot of support, consumer education and trial, and if these do not cut through, the products are reviewed

out of store quickly. In some categories, you have less than 6 weeks to make an impression.

It is important therefore to balance higher risk NPD with the smaller but lower risk opportunities.

Managing NPD

All companies have a limit on the amount of NPD they can produce. Finance, capacity and retailer hunger for your new ideas also play a large part of the process. It is also not wise to conduct so much NPD that it is un-manageable and impossible to action.

However, identifying the right NPD strategy for your brands and your company overall is critical to maintain share and grow. Our databases and experience shows that clients who win at NPD & grow are those that take a broad approach to the amount of activity they undertake, with a mix of:-

Low risk, low-medium returns – e.g. product improvement, new multi-packs, new flavours, limited editions

Medium Risk, medium returns – e.g. pack improvement, line extensions, re-positioning, new brands in the same categories

High Risk, low immediate returns, but possible high returns over time – e.g. New brands in new categories

Through a broad range of activity, brands protect themselves and provide a platform for growth. They also allow for potential failure by maintaining the balance of NPD every year.

More NPD = More Success

In tough economic times, it is tempting to cut NPD and just chase the bigger volume opportunities. However, the bigger opportunities tend to be the more risky ventures, as the gap in the market that you are chasing will be chased by others.

Examining our databases, clients who have reduced their NPD activity and focused on bigger, but riskier launches, tend to lose market share and volume over time. With higher failure rates, launching 5 pieces of higher risk NPD could actually lead to only 1 or 2 successes, reducing growth.

Get the NPD mix right and growth will follow

Finding the next 'Big Idea' is the Holy Grail in NPD. We all want to launch the next iPod, Sensations, Innocent or Gü, but the reality is that these opportunities are few and far between. NPD requires a broad mix of initiatives, with a long term mind-set, and the acceptance that no matter how well you plan, some of your NPD will fail. Spreading your risk and chasing more of the lower risk opportunities as well as the more risky ventures, makes growth much more likely.

In NPD, More is truly More.