



Ipsos Marketing
The Innovation and Brand Research Specialists

Point
of view



CONSUMER
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Leveraging the Power of Consumer-Led Innovation

Consumer-led innovation represents the next evolution in consumer packaged goods (CPG) product development. By increasing the voice of the consumer in your new product development (NPD) process, you can develop better innovations with a greater chance of success in the marketplace. Also, there is a greater probability that these ideas will address a true consumer need, as consumers play a direct role in their development. And by doing this in an interactive environment, ideas get built upon and refined along the way. Finally, this approach typically takes significantly less time (and money) than standard approaches.

This Ipsos Marketing POV takes a look at the application of co-creation to the CPG NPD process, provides a typology of different types of consumer-led innovation, and details the Ipsos approach to increasing the voice of the consumer in your new product development process.

From Old-School to Cutting-Edge

The old-school model of creative development posited that consumers are good at *reacting* to ideas but not at helping to *create* them. It turns out that this is simply not true. All that was missing was a powerful mechanism to enable Marketers and consumers to create together. Enter co-creation.

There is a growing consensus that co-creation (an important new trend in consumer-led innovation) is likely to become the dominant paradigm of new product development in the near future.^{1,2} Success stories are piling up across a wide range of industries, touting the benefits and competitive advantage that this form of consumer-led product ideation and refinement can bring to the NPD process.

Within the consumer packaged goods industry, however, NPD is still usually tightly controlled by the Marketer. CPG NPD is most often driven by internal R&D, internal brainstorming, internal reviews of consumer research, and small sample directed focus groups. Although there have been the occasionally successful NPD-focused consumer contests (e.g., the *Betty Crocker® Bake-Off*) and consumer hotlines, the general model has been one of a controlled, unidirectional flow of product ideas and offerings from the new product development “experts” to the end consumers.



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With the advent of internet-enabled tools such as blogs, YouTube, and social networking, the relationship between brands, new product development and consumers has been significantly and irrevocably altered. And smart companies are using co-creation to leverage the intellectual capital of consumers to their competitive advantage:

- Mozilla Firefox and LINUX are both widely adopted examples of “open-source” or collaborative co-creation with well over 100 million users and almost two million creators³
- Levenger’s highly successful Circa PDA was developed via an online community with corporate facilitation acting as the seeds for brainstorming⁴
- P&G now uses external sources for over 35% of all NPD research and development, increasing productivity by nearly 60%⁵
- To develop the next generation of their hugely successful Mindstorms product line, Lego engaged a succession of consumer-experts to handle both development and beta-testing⁶

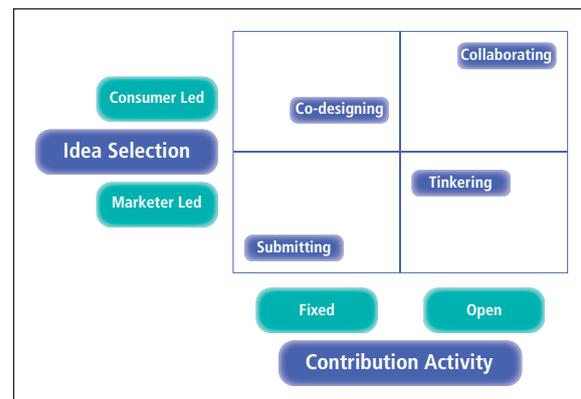
What is Co-creation?

Co-creation is often used as a generic term for any *collaborative* new product development activity in which consumers actively contribute to and/or select content (e.g., features and benefits) for a new product offering. Because of this broad definition, many CPG manufacturers are often uncertain of how this approach might play in, as well as the appropriateness for, their categories.

However, the question is not whether co-creation is right for CPG innovation, but which *type* of co-creation is best suited for developing new product ideas within the constraints of CPG categories. As demonstrated in a recent literature review,⁷ co-creation can be characterized along two dimensions:

- 1) **Contribution Activity** – going from *fixed* (i.e., strictly manufacturer defined) to *open* (i.e., anything goes), contribution activity is defined by both how the ideas are submitted and who is allowed to submit ideas.
- 2) **Idea Selection** – going from *marketer-led* to *consumer-led*, idea selection is defined by how and by whom new product ideas are selected for the next stage of development.

These two dimensions plotted against each other demonstrate four general types of co-creation:



- 1) **Collaborating:** Consumers are given the ability to both develop and improve a new product’s core components and structure. The typical application of this is “open-source” software (e.g., Linux or Mozilla Firefox) where anyone can access and modify the core of the product offering. Given the constraints of CPG manufacturing and distribution, this type of co-creation holds no tangible benefit for NPD in the CPG arena.
- 2) **Tinkering:** The process where consumers make modifications to an existing product which are then incorporated into subsequent launches. Like collaborating, this type of co-creation works effectively in the programming arena (e.g., modified computer games), but has little applicability to CPG manufacturers.
- 3) **Co-Designing:** A relatively small group of consumers provide new product ideas or designs, and a larger group of consumers help select which ideas should be adopted. Adapted correctly, this approach is well suited for consumer-led CPG product ideation with the primary challenge being the effective screening of new ideas.
- 4) **Submitting:** This process involves asking new consumers to directly communicate new product ideas, designs, or recipes. Unlike co-designing, there is no interplay between consumers as they develop their submissions which can potentially reduce idea quality. Additionally, there is no consumer input on which ideas should be prioritized for development.

The Ipsos Marketing Approach to Co-Creation: Ipsos INNOCreation

In developing our online approach to co-creation – *INNOCreation* – we carefully considered the various co-creation applications, including their strengths, weaknesses and applicability to CPG. In contrast with products like software, the methods and realities of production, distribution and feasibility for consumer packaged goods do not lend themselves to the more “open” co-creation approaches (collaborating and tinkering).

Our approach is essentially a hybrid of the co-designing and submitting types of co-creation. Depending upon our clients' needs, we can alter the degree of control and focus over the ideation task, the amount of manufacturer and/or moderator intervention, as well as the consumer voice (e.g., category users, segments, etc.). Our strong recommendation is to have consumers focus on basic product ideas with clear benefits. By excluding additional executional elements (e.g., price), we can then more clearly measure the appeal of the product ideas during subsequent quantitative screening. Here are a few examples of product ideas:

A line of premium ice cream products that provides 100% of your daily vitamin D needs

A line of frozen gourmet meals made with natural ingredients such as free range chicken, brown rice and vegetables

Popcorn sticks: portable popcorn snacks made with caramel, nuts or toffee

First, a small number of manufacturer-developed "seed ideas" are used at the brand, category, platform or need state level to exemplify the desired output and range of ideas, and to stimulate consumer ideation. Within our private website, consumers can propose and promote their own ideas, comment upon others, and vote on the most attractive ideas. The result is a flexible system designed to provide anywhere from 20–50 new product ideas in just one week (the number of new product ideas generated typically varies by control factors as well as the nature of the "seed ideas").

The two case studies briefly described below illustrate how INNOCreation has addressed specific business issues.

Case Study 'A':

Where are we going in six months?

Innovation in the fast-moving Snacking category, whether by flavor, form or increased functionality, is essential for successful brands. In this case, the directive to consumers was very focused within a particular sub-category. The manufacturer's seed ideas set the tone of where they wanted consumers to ideate. In the end, over forty new product ideas were developed. Subsequent quantitative screening of the ideas (including the manufacturer's seed ideas) showed that only one of the seed ideas was rated within the top ten. The top five ideas (all consumer-created) were prioritized for immediate development.

Case Study 'B':

Where are we going in five years?

In this case, our client in the Health and Beauty category was looking for a greater range of new product ideas for further out development. The consumer task was framed around the "healthy aging" platform with freedom given to ideate across a number of Health and

Beauty categories. Interestingly, one of the client's seed ideas was subsequently split into two distinct ideas by consumers, one showing much stronger appeal than the other. Subsequent quantitative screening with a broader sample confirmed the consumer appeal of the morphed idea (as well as several other further out ideas) which, in turn, helped them to prioritize their R&D efforts.

As you can see by the case studies, our co-creation approach is flexible for different needs and the process is one of iterative development. The process provides significant benefits to Marketers.

Advantages to Marketers

For Marketers, co-creation can provide significant enhancements to their NPD process:

- 1) **Speeding up the innovation process.** In just five days, our approach can generate anywhere from 20–50 consumer-created new product ideas.
- 2) **Reducing costs of innovation.** Compared to the employee time investment of internal ideation sessions and/or the cost of focus groups, co-creation represents significant savings.
- 3) **Increasing the voice of the consumer.** Traditional focus groups rely on small, potentially non-representative samples which can be dominated by a handful of participants. By going out to a larger sample, the consumer input is more robust and varied.
- 4) **Providing a competitive advantage.** Many CPG categories have become increasingly commoditized, leaving little left to truly differentiate one product from the next. Co-creation can help brands differentiate themselves from their competitors by providing unique consumer-created product ideas. And, because of the aforementioned benefits, co-creation can help manufacturers be efficiently faster to market with new products that truly resonate with consumers.

Separating the Wheat from the Chaff

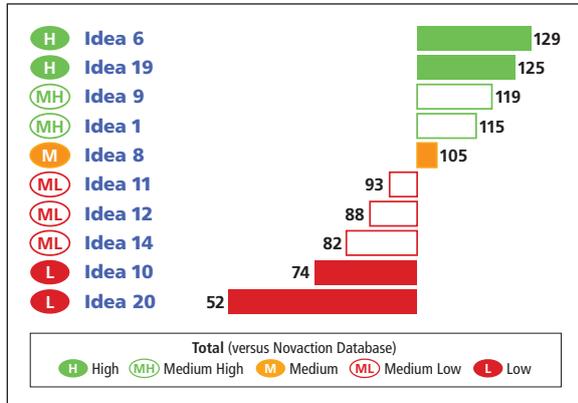
"The way to get good ideas is to get lots of ideas, and throw away the bad ones"

— Linus Pauling, American Scientist and Nobel Laureate

Given the number of ideas that come out of the co-creation process, it is important to consider how to prioritize them for further development into concepts. Naturally, some ideas will be better than others and it is important to focus development efforts around the ideas that have the best chance to succeed in the marketplace. Unfortunately, the culling process is often conducted internally and without quantitative consumer input.

Our recommendation is to quantitatively screen the new product ideas with a robust sample of consumers before investing the time, energy and expense of developing them into full concepts. Our quantitative

screening tool, **INNOScan**, uses proven success measures that have been validated as predictors of long-term success: Relevance and Differentiation.⁸



Combining co-creation with subsequent quantitative screening enables a NPD process that brings in the voice of the consumer much sooner than typical and positions the manufacturer for marketplace success based upon a solid foundation of consumer-driven innovation.

Fitting Co-creation into Your NPD Process

Clearly, co-creation with consumers can offer CPG manufacturers a significant competitive advantage by increasing the voice of the consumer in the NPD process. However, there may be concerns about how to fit this process (both in terms of timing and budget) into existing processes. These concerns can be allayed by considering the following:

- The amount of manufacturer time spent on ideation is actually reduced and frees up your brand managers' (and other personnel) time
- The costs for co-creation are typically significantly less than focus groups, especially when time away from the office and travel are considered
- The entire process of idea creation takes only one week (five business days) and can happen immediately after platform/need state identification

At what point in the innovation process should you consider co-creation? Of course, not every company follows the exact same protocol, but in general co-creation should be considered after broad innovation platforms have been identified and some preliminary internal brainstorming has taken place.

Another potential barrier to leveraging co-creation is the concerns of brand managers and R&D personnel. After all, coming up with new product ideas and innovations is typically seen as an important function of

their respective roles. Within our approach, these roles within NPD morph into that of platform creation/selection, creators of "seed ideas" and the ultimate arbiters of consumer input. The end result is that their vision still drives NPD yet, by leveraging their consumers' intellectual capital, the range and opportunity of their new products is greatly enhanced.

Finally, manufacturers should consider the costs of not adopting consumer-led innovation. In the end, companies that embrace and listen to the voice of their consumers as they develop new products will inevitably win the battle for compelling product innovation.

¹ Customer-Made, www.trendwatching.com, 5/11/2009.

² Prahalad, C.K. & Ramaswamy, V., *The Future of Competition*, Harvard Business School Press, 2004.

³ O'Hern, M. & Rindfleisch, A., *Customer Co-creation: A Typology and Research Agenda*, Wisconsin School of Business, Working Paper 4, December 2008.

⁴ Tang, C., *Co-creation Theory*, Insight Magazine, July 2008.

⁵ Huston, L. & Sakkab, N., *Connect and Develop: Inside Procter and Gamble's New Model for Innovation*, Harvard Business Review, 84, 3, March 2006.

⁶ Koerner, B. I., *Geeks in Toyland*, WIRED Magazine, January 2006.

⁷ O'Hern, M. & Rindfleisch, A., *Customer Co-creation: A Typology and Research Agenda*, Wisconsin School of Business, Working Paper 4, December 2008.

⁸ Fressart, B. & Markowitz, L., A., *Code RED: The Best Measures for Choosing High Potential Consumer Goods Concepts*, Ipsos Marketing POV March 2009.

About Ipsos Marketing

Ipsos Marketing – The Innovation and Brand Research Specialists – is the Ipsos brand for Marketing Research.

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Pierre Le Manh is the global head of Ipsos Marketing. Its Consumer Goods business area is led by Lauren Demar and its Industry & Services business area, including Ipsos Vantis, is led by Ed Wolkenmuth.

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