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Are Concept Databases Leading CPG Marketers to Make the Wrong Decisions?

The short answer is “yes.”

Consumer packaged goods companies are finding that historical concept testing databases, which are managed by suppliers and include years of concept testing results from different clients, can often be misleading.

Take the following situation. A snack food marketer was using a historical database to make decisions about which concepts to pursue. Unfortunately, the results seemed too good to be true. The marketer was finding that more than half of his concepts were surpassing the norms generated by the historical database. The problem? The types of products in the database did not represent the relevant competition.

Here is another typical situation: A marketer was launching a new household product in an emerging market. Unfortunately, there were not enough cases in the emerging market to build a norm. Therefore, surrounding countries were added to “strengthen” the norm. The marketer was not comfortable including the other countries, but felt he had no other choice.

Historical databases can be problematic for several reasons:

- Databases may have a limited number of observations in the country and category being evaluated.
- Databases may be dominated by brands or products of a certain type. Given the proprietary nature of databases, there is no way to know.
- Most historical databases include products that have never been launched or have not succeeded in market – so test concepts are not being compared to the competition they will really face in the market.

Fortunately, there is a solution – and the solution involves the consumer’s perspective on competition.

Benchmark Your Concepts Against the Competition

“You know, that might be the answer – to act boastfully about something we ought to be ashamed of. That’s a trick that never seems to fail.”

Catch-22, Joseph Heller, 1961

Historical concept databases, although widely used, do not reflect the competition new products will face when they are launched – no matter how many cases the overall database boasts.

What marketers need is a benchmarking system that transcends the country and category constraints associated with historical databases and the issue of having so many failed concepts included in these databases.

To deal with these problems, we have developed a database built on the premise of having consumers identify the competition.

Specifically, we ask the consumer to define the competition during the concept screening survey by asking the Most Often Purchased Product – what we call the M.O.P.P. Then, we ask the consumer to rate the M.O.P.P. on the same measures we are using to evaluate the test concept. (We recommend evaluating concepts on Relevance, Expensiveness, and Differentiation – or, as we refer to them, the **RED** measures – because our R&D shows these factors are most predictive of new product success.) We then compare the test concept scores to a benchmark we develop based on the M.O.P.P. This M.O.P.P.-based benchmark reflects the competition the innovation will face in the real world.

This technique is the genesis of a benchmarking system that reflects competition better than historical databases.

Specifically, we have found that for any given key measure (for example, Relevance), the relationship between a test concept and a M.O.P.P. is very similar regardless of country, category, data collection methodology, or sample. This finding has an important implication for CPG innovation:

The relationships between the test concept and the M.O.P.P. from concept screening studies from around the world can be combined into one global relational database that reflects reality better than historical databases.

We have created such a global relational database containing measures that reflect comparisons of test products to the M.O.P.P. Using our database technique, we account for country and category for every case we enter into the database, instead of splicing together country and category after the cases have already been input.

Our relational database offers key advantages over the historical database:

- The relational database reflects consumer-defined competition
- The relational database includes only launched products
- The relational database is not limited by country and category definitions – therefore, having a limited number of cases or a biased set is not an issue

Going back to the snack food example, we were able to correct the situation by using our M.O.P.P. approach. While more than half of the concepts were a “go” using the historical database, only about one-third of the concepts were a “go” using M.O.P.P. The M.O.P.P. approach was able to accurately represent the competition whereas the historical database could not.

8 Questions to Ask About a Database to Be Sure It’s Not Misleading You

1

Are there at least 20–30 concepts in the country within the category?

2

Do you feel comfortable stretching the category or geography to bolster the number of concepts?

3

Are there a variety of clients in the database?

4

Are the concepts in the database recent?

5

Was the data collected consistently?

6

Is there a balance between big and small brands?

7

Have the concepts in the database been launched?

8

Have the concepts in the database been successful in the market?

If you answered “no” to any of these questions, it’s time to re-think your database.

Proof that M.O.P.P. Benchmarks Work

We conducted extensive R&D comparing the historical database approach to the Most Often Purchased Product database approach. The R&D, which extended across 25 countries and 10 categories, is described below.

Historical Database Comparison

To emulate historical databases, we computed the average concept score for each country and the average concept score across countries (global average). We indexed each country's average to the global average (set equal to 100). We repeated this procedure for the categories.

Most Often Purchased Product Comparison

To emulate how the test concept would compare to real competition, we computed a ratio of the test concept score to the MOPP-based benchmark score for each concept. We computed the average ratio for each country and the average ratio across countries (global average). We indexed each country's ratio to the global average (set equal to 100). We repeated this procedure for the categories.

For each approach, we analyzed Relevance, Expensiveness and Differentiation.

For the historical database comparison, we predicted that the indices for each country and category would vary considerably around the global average, because concept scores varied widely by country and category. For the M.O.P.P. approach, we predicted the indices for each country and category would be very close to the global average because the comparison of a concept to the M.O.P.P. among the same consumers would remove the high and low response patterns across categories and countries.

Both of our predictions were confirmed, as demonstrated in Figures 1 and 2.

Figure 1 shows that indices for each country vary widely when concept scores for each country are compared to the average across countries. On the other hand, indices based on comparing a test concept to a M.O.P.P.-based benchmark are stable across countries.

Figure 1

Relevance Concept Scores by Country

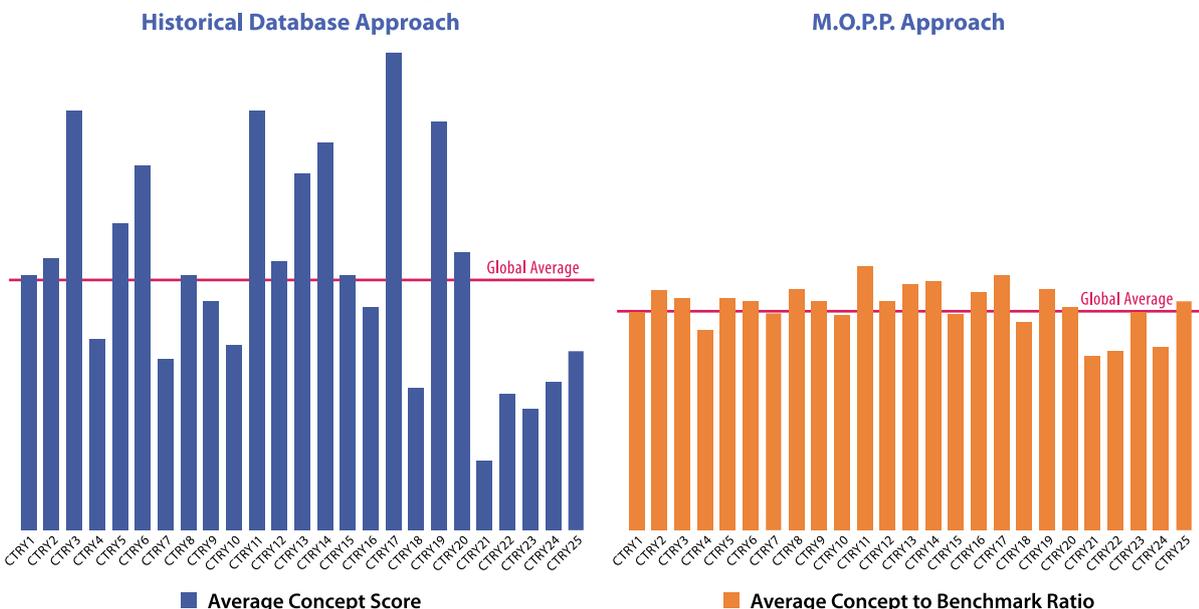
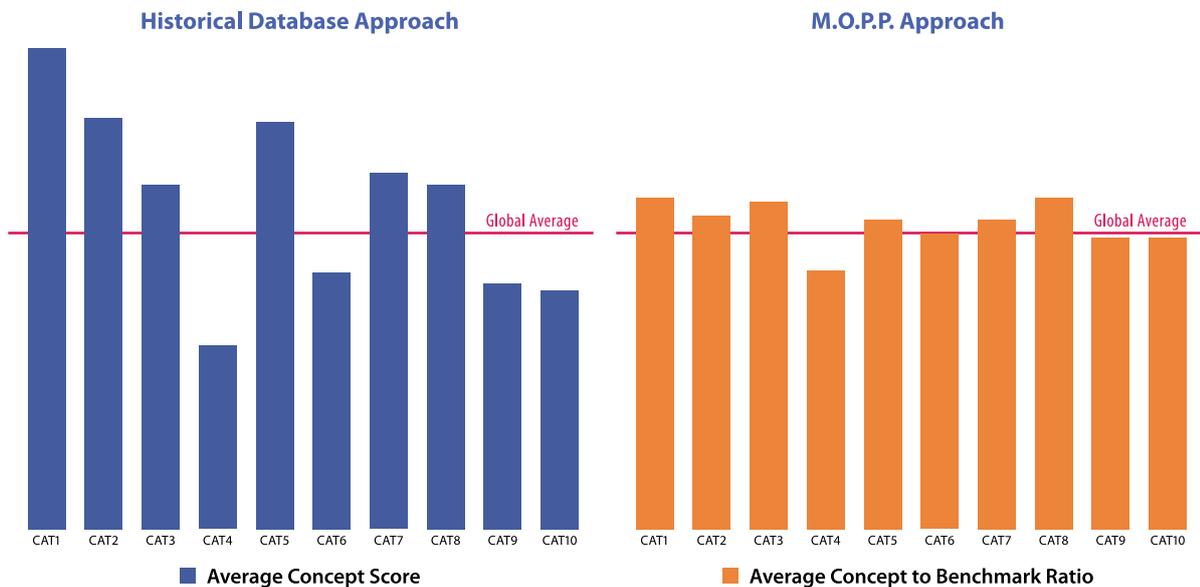


Figure 2 shows that indices for each *category* vary widely when concept scores are compared to the average across categories. On the other hand, indices based on comparing a test concept to a M.O.P.P.-based benchmark are very similar across categories.

Figure 2

Relevance Concept Scores by Category

Similar results were found for Differentiation and Expensiveness scores – greater variability between countries and categories for historical database comparisons, and lower variability for M.O.P.P. comparisons.

So, what are the implications for the marketer? Suppose a beverage marketer wanted to test a new concept in a country in Southeast Asia. In Figures 1 and 2 above, Country 11 is a country in Southeast Asia and Category 10 is a niche beverage category. Looking at the historical database, there are no cases in Country 11 which are in Category 10. The marketer is faced with a dilemma. He can stretch the geography to include more countries or stretch the category to go beyond his niche concept – both of which will likely be misleading because they will not reflect the competition the product will face. Or, he can try to leverage the information he does have about the historical database: he knows that the norms in Country 11 are high compared to other countries, and he knows that the norms in Category 10 are low compared to other categories. He can assume that the norm is somewhere in between – but there is no way to know and that could lead to the wrong decision. The marketer would be able to evaluate the strength of his concept more effectively by using the M.O.P.P. approach, which is not limited by country-specific and category-specific observations but instead uses a consumer-defined competitive reference point. Moreover, with the M.O.P.P. approach, the marketer knows he is benchmarking against products in the real world and not concepts that may or may not have ever been launched.

Tackle Historical Database Problems with M.O.P.P.

The success of a CPG innovation depends heavily on how the innovation performs against its relevant competitors. Simply put, historical databases too often do not represent the relevant competition. Historical databases produce norms, which are unknown, from the past, and may be out-of-date.

To help our clients make more informed decisions about which concepts to pursue, we have created a relational database for CPG concepts based on our finding that, for a given key measure, the relationship between a test concept and a Most Often Purchased Product is consistent across countries, categories, data collection methodologies, and sample. Our relational database produces benchmarks, which are known, in the present, and never out-of-date.

Our global, relational database tackles each of the major flaws associated with historical databases. While historical databases include failed concepts and may have a limited number of cases at the country and category levels, our relational database transcends country and category limitations and, moreover, includes only comparisons to products that have been launched. The result is a benchmarking system that enables marketers to compare their concepts to real world competition and more accurately identify which products will be successful.