

Secure More Successful Product Launches

Protect your peace of mind when entering new markets by utilizing online concept testing to answer ten essential questions.

CONTRIBUTING EDITORS

Jared Heyman, Founder and President of Infosurv

J.D. Woods, Senior Research Consultant for Infosurv

YOU WILL LEARN

- The ten fundamental questions you can answer with online concept testing.
- The four steps to every successful concept test.
- The pros/cons of the three main types of concept tests.
- Seven concept testing best practices.
- How companies like Sony and GTECH launch successfully into new markets through sound concept testing strategies.

Executive Summary

Online concept testing can protect the launch of new products, services, and ideas. It can provide a crystal ball for your marketplace, giving you a grasp of how you'll be received, showing you whether your concept is headed for greatness or failure, and what hurdles you face along the way. But it can only do this if used properly. This paper will outline what online concept testing can do for you, the kinds of results you can expect, and the strategies, tips, and techniques for launching new products more effectively—in short, for keeping revenue up and risks down.

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Why Concept Testing is a Critical Element for Successful New Market Entry

Why is concept testing so important? The answer is simple when you consider these factors:

- Launching a new product involves research and development, manufacturing strategy, distribution strategy, marketing strategy, PR and advertising development—just to name a few of the business initiatives that must be implemented before a launch.
- The cost of all of these factors runs into **tens of millions, or even hundreds of millions, of dollars.**
- If the product launch fails, **all of this money goes out the window.**

Current failure rates for product launches are higher than you might think.

According to a recent AC Nielsen survey, **the failure rate is as high as 90%².**

Why do so many launches fail? One of the key reasons that they fail is because many companies are not utilizing proper concept testing to protect their new product investment at the start of the new product initiative.

<i>Impact of New Products on 9 Key Industries¹</i>		
Industry	New Product Sales as % of Total Sales	New Products Profits as % of Total Profits
FMCG	24%	24%
Capital	26%	27%
Consumer Svcs.	25%	24%
Industrial Svcs.	21%	20%
Chemicals	18%	22%
Other Materials	20%	22%
Healthcare	31%	33%
Technology	47%	44%
Software & Svcs.	45%	37%

Concept testing is critical to determining which new concepts will connect with the marketplace . . . and which won't. It's designed to eliminate the concepts that have limited or no potential, to pinpoint concepts that require refinement, and to identify the concepts that will go on to a successful launch. Even better, it's affordable and achievable.

Ten Essential Questions that Concept Testing Can Answer

Most new products or new marketing strategies start with an idea. This idea could have come from an internal source, or it may have originated from external competitive factors. But how do you validate this idea before committing too many internal resources to its execution? This validation becomes especially important when dealing with multiple ideas, such as several new potential products coming out of R&D.

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The answer is by gaining buyer feedback from the customer segment that you are trying to attract. That's how you can eliminate ideas with a low potential of success. Concept testing delivers this intelligence by helping you to answer ten essential questions:

1. Do I understand my market and **where my new potential product fits in?**
2. Do my concept's core components **support market entry?**
3. **How large** might this market eventually become?
4. Of the concepts in front of me, which have limited or **no potential** in the marketplace?
5. Which of these concepts has a **compelling value proposition**, and which of its components holds the most appeal to customers?
6. Which concept will deliver the **highest ROI?**
7. Will the appeal of the concept **vary** by market segment, region, or customer demographics?
8. Has this concept achieved **clear differentiation** from the competition, and is that differentiation valuable to the consumer?
9. How good or bad is the **positioning strategy?**
10. Is the concept's **identity**, including its name, packaging, and advertising, on target?

*Concept Testing Helps **Regain Market Share** for Food Processing Company*

A well-respected private label food processor was known for a quality product. But as the industry grew more price-competitive, profits began to shrink. New brand positioning was needed to rebuild margins.

Concept Testing:

- Evaluated 40+ product groups, recommending product categories to pursue.
- Identified a set of canned foods with low consumer satisfaction.
- Calculated the price-quality combinations that had the best chance of success.

The new brand, built on the basis of concept testing results and containing the elements desired most by consumers, was successfully introduced at a premium price level. It quickly earned both trade and consumer acceptance and was later added to other products and institutional markets.³

Four Steps to Successful Concept Testing

The Product Development and Brand Association defines concept testing as "The process by which a concept statement is presented to consumers for their reactions. These reactions can either be used to permit the developer to estimate the sales value of the concept or to make changes to the concept to enhance its potential sales

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value.”⁴

There are four main phases to successful concept testing. These are:

Step 1: Qualitative Testing—Qualitative research, such as that obtained from focus groups, should be used to screen out concepts that are losers and to identify which concept components deliver the most differentiation. During the screening process, concepts that don't have the consumer appeal or are not perceived as unique are eliminated from the developmental path. Respondents are grouped by target audience and view concepts in groups of four to five, ranking each concept against the others displayed. Respondents are then asked to provide detailed responses for the concepts that ranked most favorably.

Step 2: Quantitative Testing—Quantitative testing is used to further eliminate concepts with limited potential and to clarify both the reach and appeal of the remaining concepts. The remaining concepts are presented as more developed at this point, with details such as pricing strategy, marketing, and supporting product copy used to give the respondents a more tangible experience. The concepts typically offer the same product, but emphasize different key elements of the overall idea. Competitive analysis components are also included in order to determine each concept's potential relative to existing products in the market.

Step 3: Actual Product Testing—The third step exposes respondents to an actual product that they can see, feel, and touch. At this point the concepts have been narrowed down to the top two or three. With the actual product testing, a researcher is looking for the product attributes that will draw the largest group, and differentiating factors are combined to appeal to the largest consumer base.

Step 4: Final Assessment—Once a final concept is selected, it should receive a final assessment to confirm that it is poised for success. Both qualitative and quantitative measures are included in this assessment to help uncover unforeseen opportunities, strengths, and weaknesses. Concepts are often compared against benchmarks from current, successful products to estimate potential performance relative to existing products in the marketplace.⁵

Three Types of Concept Testing

Under the umbrella of concept testing, there are three distinct types. Understanding these types can help you determine what form of testing will work best for you.

- **Monadic Testing** creates the most realistic, real-world environment. The idea is simple: Respondents only see and evaluate one single concept.
- **Para-Comparison Testing** compares two concepts at the same time, side-by-side. Respondents pick the one they like best and explain why. This method works well, but the depth of response for any one concept is reduced when looking at two at the same time.
- **Sequential-Monadic Testing** seeks to achieve the best of both worlds. In

this environment, one concept is reviewed and evaluated by the respondents. Then they review the next concept in turn. This method seeks to build comparison between concepts while gaining a deeper level of response on each particular concept.⁶

<i>Comparison of the Three Primary Types of Concept Testing</i>		
Type	Ability to compare product attributes	Ability to gain the most detailed feedback about the product
Monadic	N/A	Best
Para-Comparison	Best	Good
Sequential-Monadic	Good	Good

Seven Concept Testing Best Practices

There are seven best practices, applicable to all three types of concept testing, which should be applied to boost the success rate of any new product initiative. These include:

1. Reduce the number of concepts to be tested in one sitting. To save costs, many companies attempt to test too many concepts. For best results, no more than four concepts should ever be tested at one time. If more than four concepts exist, they should be tested in batches, where respondents can provide feedback to a group of four, then move to the next group, etc. Proper screening performed at the beginning of the study, however, should reduce the number of valid concepts to test overall.
2. Don't just measure how different your product is from the competition. Concept differentiation must be measured in terms of whether the difference will be valuable to the consumer. The question is whether the differentiating factor of a concept will drive positive consumer behavior. This is especially true in the case of a line extension. The new item must be differentiated from the parent brand while not diluting the product group's brand equity overall.
3. Measure sustainable competitive advantage. Will the product maintain clear differentiation as new competitors enter the market? Factors such as product performance, emotional appeal and overall value in the mind of the consumer need to be measured to protect a new concept from future competitive entries or price cuts.
4. Gain pricing insights from concept testing. When pricing a new product, concept testing needs to determine how consumers value the new product relative to the competition. It also needs to measure how the pricing strategy aligns with the value promise held by the product in the mind of respondents. Concept testing helps to determine if the market is quality or price driven.

**CD vs. MD:
How Concept Testing
Defended a Product Line⁸**

When Sony successfully introduced the mini-disc (MD) in Japan, traditional compact disc (CD) manufacturers wanted the best strategy to defend against this product as it entered other global markets. Concept testing was used to observe consumer choice among the different product configurations, including brand, pricing, and distribution options for the anticipated marketplace.

What was discovered is that the mini-disc was successful in Japan due to the space restrictions faced by consumers who traveled in tightly-packed commuter trains every day. This technology-focused audience also appreciated the editing capabilities of the MD. In North America, this was not the case.

North American consumers want the instant gratification of a CD packed with pre-recorded music. And they aren't facing the same space limitations as those in Japan. The recordable CD (CD-R) offers the ability to record music, but can also come with pre-recorded selections. And it's compatible with consumers' traditional CD collections.

The defensive strategy presented by the CD-R protected North American CD sales while eliminating the temptation for manufacturers to launch their own line of MDs—a product that concept testing showed would be a failure in the U.S.

5. Refine brand and market position for more cost-effective launches. Very often, businesses develop expensive push strategies to market a product when they feel that the product is strong, but has a weak concept behind it. This large expense can be avoided by using concept testing to refine a product's brand and competitive positioning. Once positioning is refined, it's unnecessary to build demand artificially.
6. Avoid Assumptions. There is a trend among suppliers to do volumetric projections based on concept testing. But there are certain situations where concept testing is not the solution. Concept testing creates 100% awareness and 100% product knowledge on the part of survey respondents. This is a situation that doesn't exist in the real world. To make specific assumptions on sales volume or distribution is dangerous, no matter how good the testing environment.
7. Screen and qualify. There are obvious security concerns when performing concept testing, not the least of which is protecting your new concept from prying competitive eyes. Always be sure that survey respondents are pre-screened and qualified to be certain you're not leaking your new go-to-market strategy to the competition.⁷

Concept Testing at its Finest—GTECH

GTECH is a leading gaming technology company with more than \$1.25 billion in annual revenues and 5,300 employees in over 50 countries. GTECH hired Infosurv to evaluate potential lottery game concepts, and to identify the concepts that consumers would play most.

Infosurv developed online surveys where respondents could actually interact with each concept and “play it” in a virtual world. Collecting nearly 900 responses, Infosurv was able to provide statistically valid results at the 95% confidence level, with a confidence interval +/- 3%.

The results of the survey identified the pros and cons of each concept, empowered consumers to provide suggestions for improvement on each lottery game and identified the demographic and behavioral profile of a typical lottery player. This information generated actionable conclusions as to which game concepts GTECH should move forward on. The company was so impressed with the results that they are now deploying Infosurv’s concept testing methodologies on a regular basis.

Why Vendor Selection is Paramount

The vendor selected to perform concept testing must have proven experience and adhere to the best practices listed previously. But there are two other criteria to look for to ensure your concept testing provides the best consumer visibility possible.

Expert Analysis

The vendors who provide your concept testing services must be able to make the most of the data they collect. They should be able to estimate your concept’s market potential based on the latest mathematical models. These models are used to measure concepts based on a variety of key attributes associated with existing successful concepts, including purchase intent, overall appeal, and uniqueness.

Virtual Shelf and Other Technologies

The vendor you use for concept testing should also leverage the latest online technologies when applicable. Conducting concept testing in an online environment offers several benefits:

1. Online testing is cost-effective
2. Online testing offers immediate results.
3. Online testing is objectively scored.

The high level of interactivity allows respondents to really understand product features and benefits. They can be exposed to video, still pictures and even experience broadcast advertising. All of the respondents’ senses can be reached, except for touching and tasting. Plus, online testing:

1. **Can eliminate the need for a physical testing location.** New technologies, such as the “virtual shelf,” can allow respondents to “walk down the aisles,” examining products just like they would in a real store—without the complications or expense of actually taking them to a storefront location or hiring on-site research teams.
2. **Can reach a much broader audience** when the research is not tied to one central location, saving both money and time. And the ability to capture the correct target audience is much greater, with segmentation possible by demographics, geographic location, or both.



Once you select the right concept testing service provider, you can use concept testing to narrow your choices down to a point where you’re entering new markets with confidence, and with a plan to succeed.

The Advantage of Concept Clarity

To get more clarity on what concept testing can achieve for your own business, and to learn how to use properly executed research to drive your new concept initiatives, contact an Infosurv research consultant today. We’ll demonstrate how our Concept ClaritySM concept testing service can lower risk and build more profitability into your product or service launch.

And be sure to read our other informative papers in the *Infosurv Insider* series. If you enjoyed learning more about online concept testing, we recommend digging in deeper with our white papers on:

- Reducing Risk With Market Research,
- Questionnaire Design: An Expert Approach, and
- Survey Analysis Design: Keys to Making Sound Decisions from Survey Data.

These whitepapers and more are free to all registered members of the *Infosurv Insider* series. Register today at www.infosurv.com/insider.

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Contributing Editors

Jared Heyman

Jared Heyman is the founder and president of Infosurv, a full-service market research firm specializing in design, administration, and analysis of online and telephone employee, customer, and other market research studies. He leverages years of marketing research expertise to offer his clients the high-value, actionable intelligence they need to facilitate the success of their strategic-level decisions.

Heyman is the one companies listen to when they are planning their own marketing initiatives. He is quoted as a marketing research industry expert in everything from trade publications such as *Quirks and Marketing News*, to marketing research blogs such as *Web Analytics World*, to major media outlets such as the *Chicago Tribune* and *CNN.com*. Marketing professionals often rely on Jared Heyman's keen insights into the marketing research industry.

A fourth-generation entrepreneur with a lineage of successful start-up companies contained within the family scrapbook, Heyman administered his first market research survey while at Collective Technologies in 1998. It was this experience that made him realize that there was definitely room for improvement in the marketing research arena. Jared Heyman left Collective to launch Infosurv just months later.

From an initial startup cost of less than \$3K, Infosurv has experienced exponential growth over the past nine years. Infosurv currently has a client base of over 250, including dozens of Fortune 500 companies and major government agencies, and continues to specialize in market research, customer surveys, employee surveys, and online surveys.

Jared Heyman graduated from the University of Texas at Austin with a BBA, double majoring in Business and Marketing Research. He also has an extensive international profile, with cultural experience in the European Union, Turkey, South America, the Middle East and Southeast Asia.

Mr. Heyman can be contacted at surveys@infosurv.com.

J.D. Woods

J.D. Woods is a Senior Research Consultant for Infosurv. With over 25 years of experience in the marketing research business, Woods has seen both sides of the aisle, holding roles as both client and vendor. This unique perspective drives his vision for effective market research—that building the relationship with the client should come first, foremost and always. With this philosophy in mind, J.D. Woods believes in making the effort to truly understand a client's business and build the trust that's key to becoming a value-added supplier.

J.D. Woods industry experience is wide-ranging. He has held the titles of Vice President of Client Services for Berke Marketing Research, Vice President of Client Services for TNS Innersearch, Southeast, Practice Leader for Employee Research at Hewitt Associates, Vice President of Client Services for Walker's Customer Satisfaction Division, and Manager of Strategic Planning for Marketing Research at Anheuser-Busch. He has also provided direct independent support to clients, functioning as a marketing research consultant on many occasions. Woods corporate and independent consulting clients have included many Fortune 100 companies, including Proctor & Gamble, Allied Signal, Union Carbide, Entergy, Capital One, Wachovia, UPS, and T-Mobile. Mr. Woods holds a BA in Psychology and Business from Hanover College, and an MBA in Marketing from Indiana University.

Mr. Woods can be contacted at jd.woods@infosurv.com.

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