

# The Innovator's Guide to Vitality + Incrementality

March 2024

**NIQ BASES**

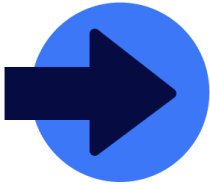
# NIQ BASES

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**Q: Has the Pursuit of Agility  
Reduced the Impact of Innovation  
Performance?**

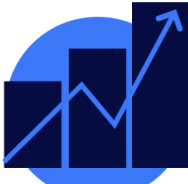
# Why is Innovation Performance Often Subpar?

# Environment pressures lead to difficult choices with imperfect information...



## Act Fast

Innovation Cycle times need to be **reduced** as more new products hit shelves



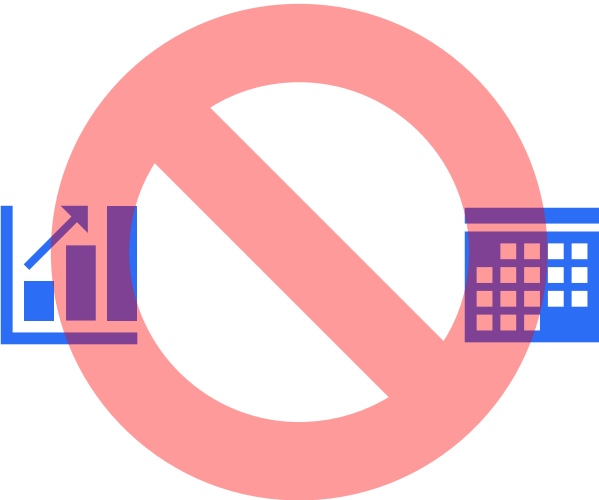
## Maximize ROI

Financial pressures make it imperative to **maximize return on research** and marketing investment



## Make Smart Bets

The need for **speed and limited budgets** force marketers to make decisions with “good enough” data



...**incrementality** and **endurance (vitality)** are **often not systematic KPIs**

# Many launches aren't incremental and can even shrink total brand sales

Even for launches that aren't intended to be very incremental, overlooking cannibalization potential can be risky.



**1 in 4** new product launches shrinks the brand franchise.

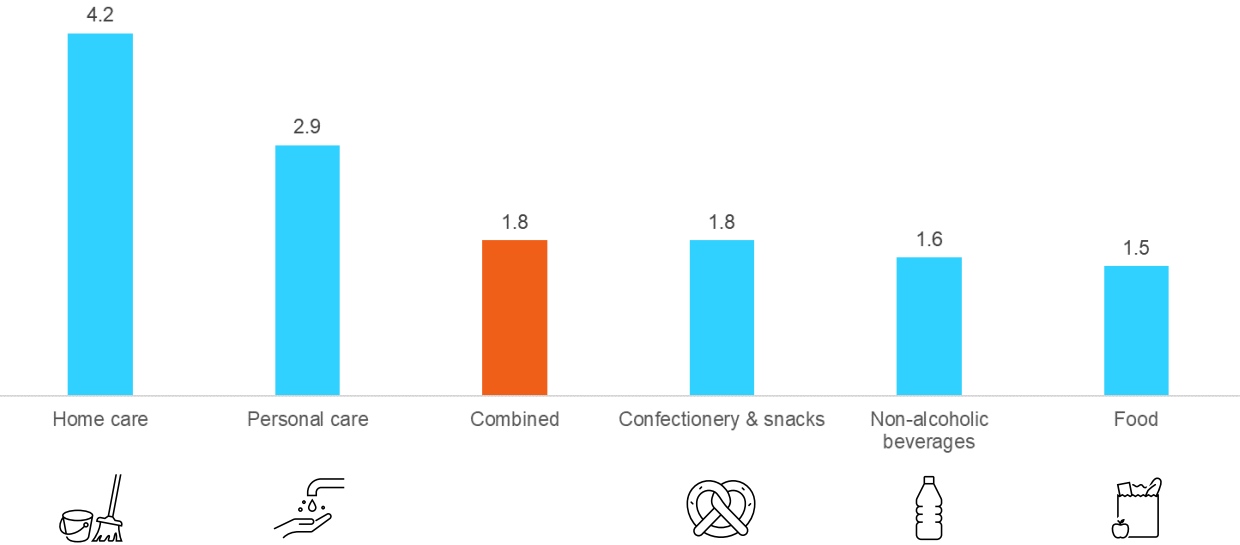
BASES R&D analysis.

**Why does  
innovation matter?**

# Innovation is critical to your bottom line

Innovation growth boosts overall growth

Impact of innovation on overall growth\*



Manufacturers growing innovation sales in 2022 were

**1.8x**

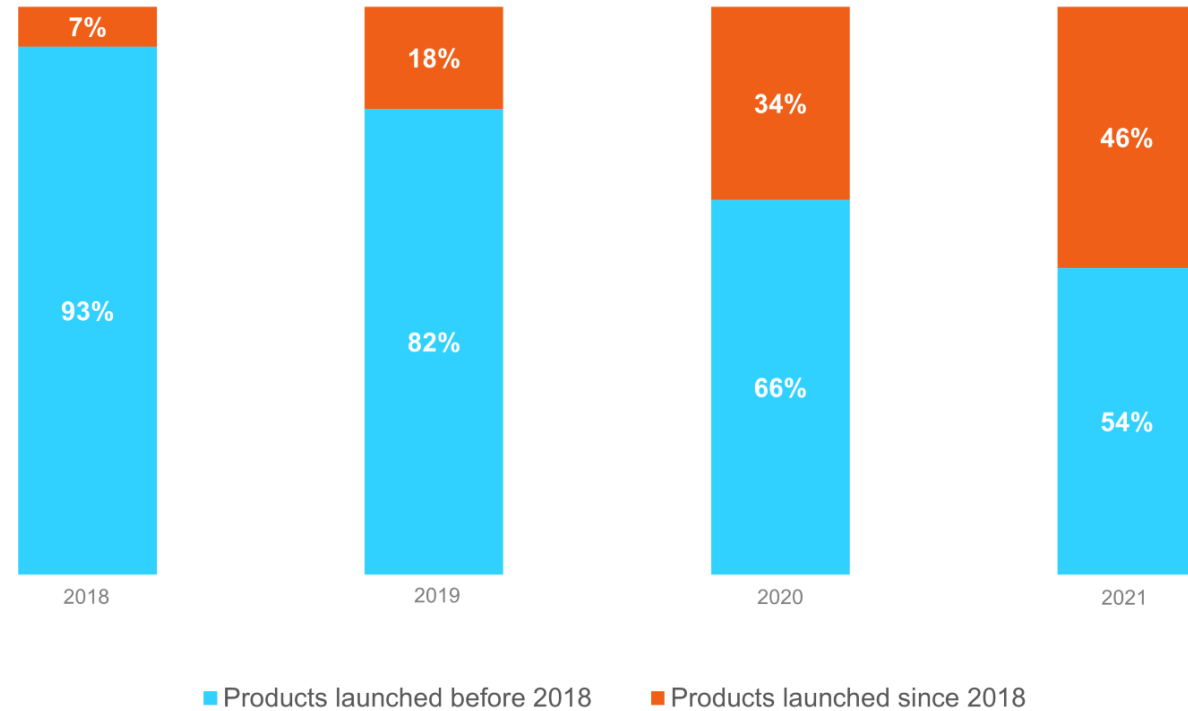
more likely to grow overall sales than those with stagnant or declining innovation sales

*\*Impact is calculated as a ratio of percentages of manufacturers growing total sales among those growing innovation sales vs. those with no growth in innovation sales*

Source: NIQ BASES Innovation Measurement.

Year over year,  
strong innovations  
become your core

Share of dollar sales



Based on a sample of Food, Home Care & Personal Care categories for Total US x AOC + Conv

Source: NIQ BASES Innovation Measurement



# Why Is It Difficult To Determine Whether An Innovation Is A Success Or Failure?

# Innovation Vitality

Powered by BASES  
Innovation Measurement



## Use Cases



Strategic review of  
innovation strategies



Bolster retailer selling  
stories



Asses organizational  
decision criteria,  
resource allocation  
and stage gate  
processes

A binary “success/fail” framework  
for innovation performance does not work

- Metrics for Innovation Performance differ:  
Retailers vs Manufacturers vs Investors/Analysts
- For manufacturers, metrics differ between brands, categories,  
and across geographies.
- Varying types of innovations play different strategic roles  
(“big bets” vs “quick hits”)

# *Innovation Vitality* =

Number of innovations launched during a period which grew sales in Y2 vs Y1

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Number of innovations launched during the same period<sup>1</sup>

- Confirmed as viable and relevant by manufacturers, retailers and investors/analysts
- Applicable across categories, geographies, and types of innovations

**NIQ BASES**

# BASES Innovation Measurement

The "engine" leveraged to review over 60 thousand innovations in five countries over a multi-year period for this analysis

## Focuses on true innovations



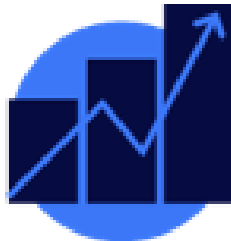
Artificial intelligence **multi-step hygiene removes “false positives”**, approx 20% of new SKUs each year

## Supplements with innovation-centric characteristics



**13 exclusive innovation-centric characteristics:** 4 Innovation Types and 9 Innovation Sub-types

## Links their NIQ retail measurement data



Reporting all key Retail Measurement Data including **distribution, sales, pricing, and velocities.**

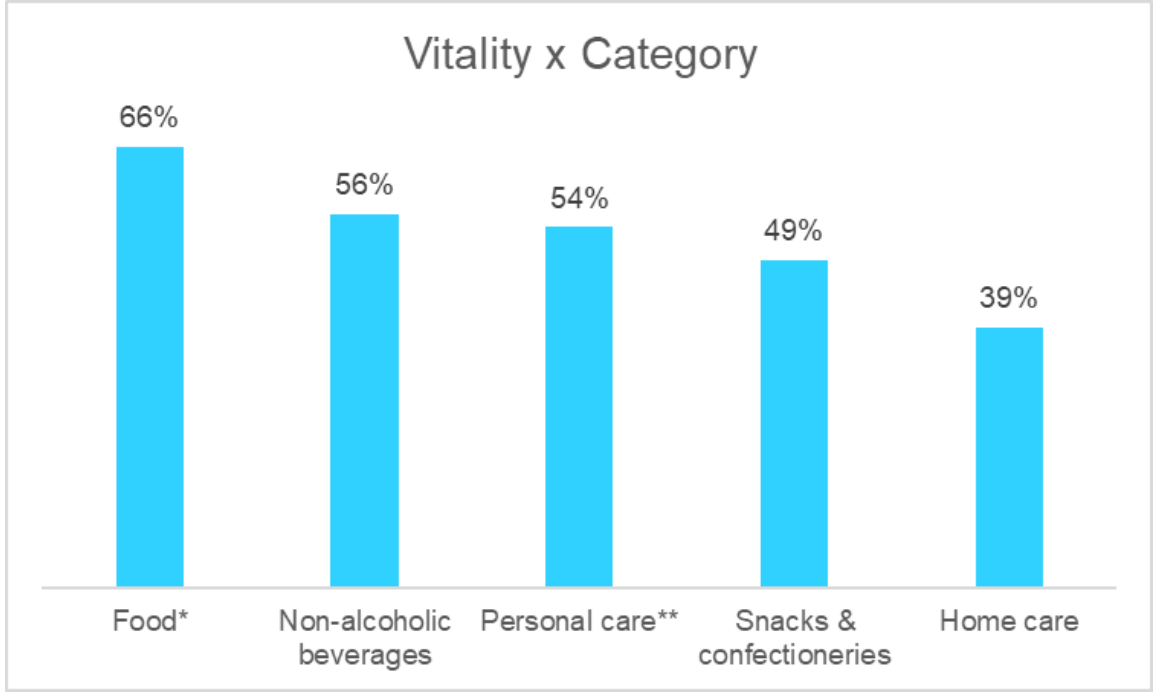
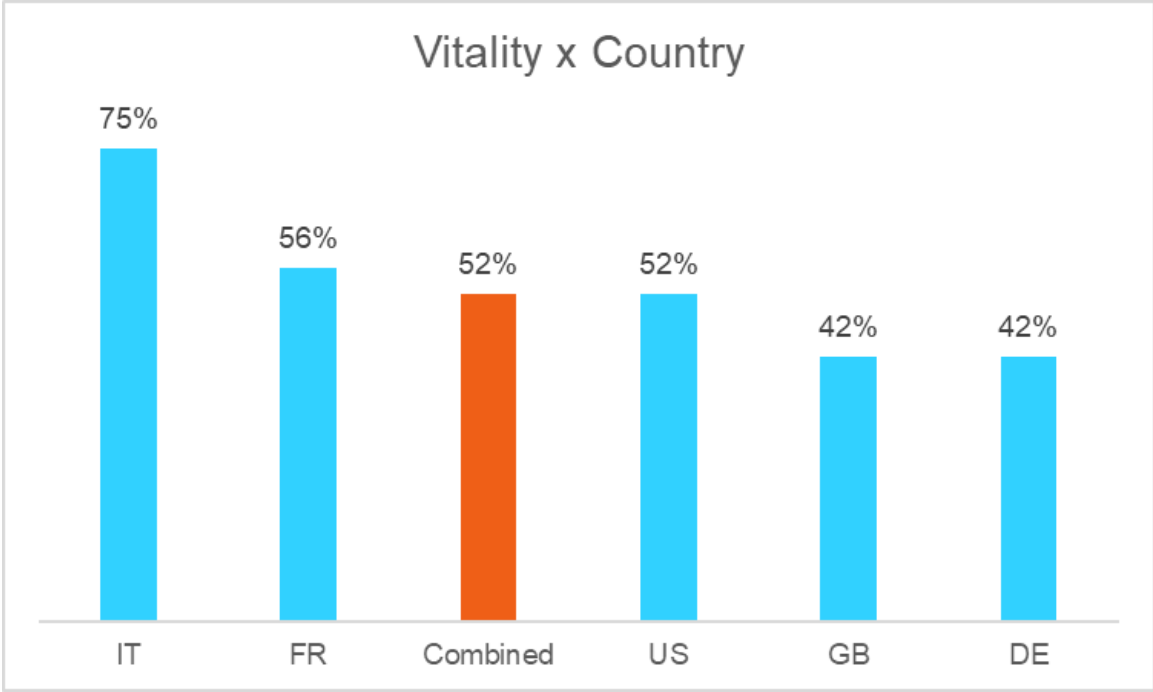
**We reviewed more than  
64 thousand innovations  
across 5 countries  
over 4+ years  
via BASES Innovation Measurement,  
and discovered...**

**...52%  
of innovations grew  
sales in Y2 vs. Y1**

Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 25% ACV

**Just how attainable  
is vitality?**

# Vitality rates vary by geography and category

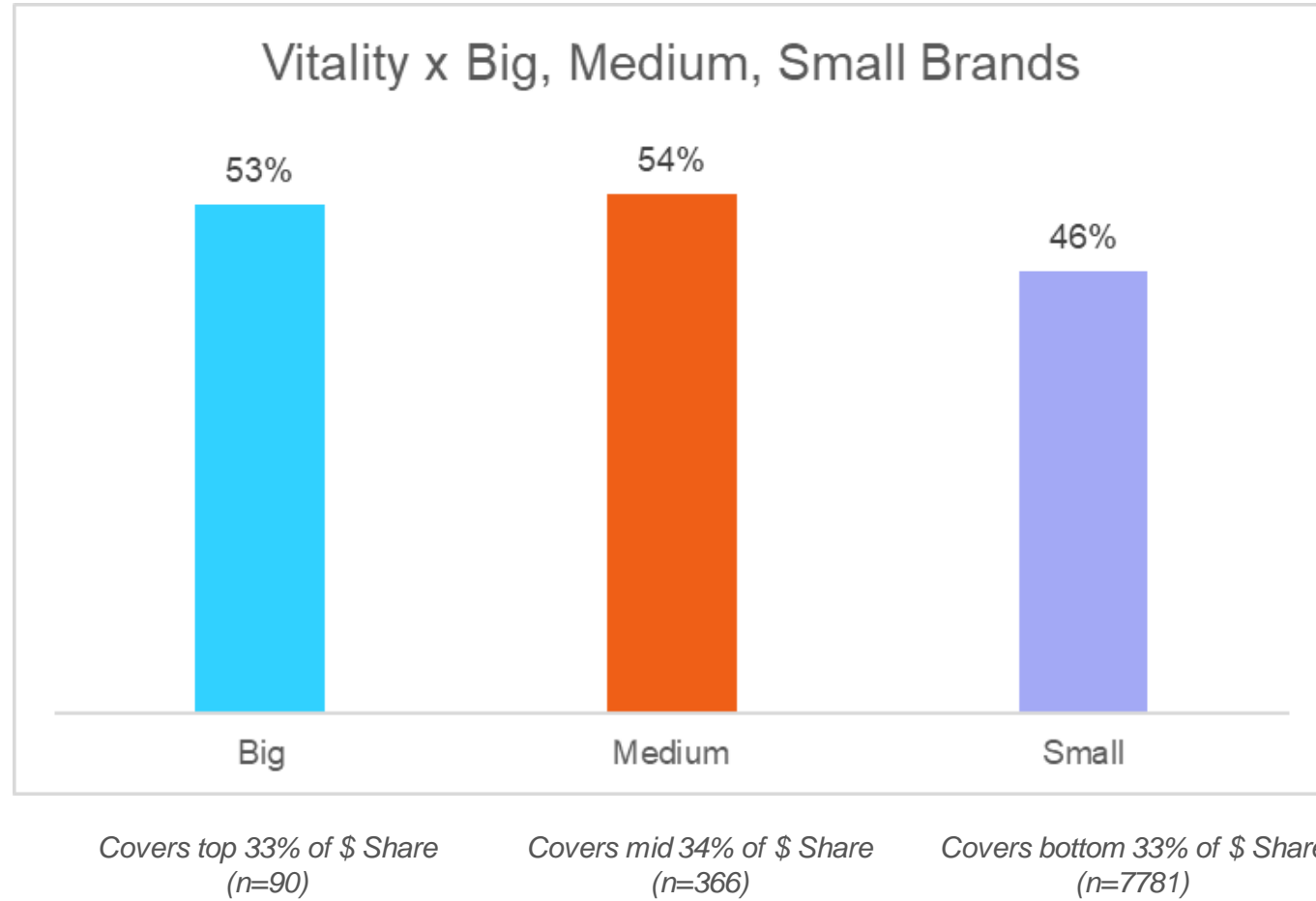


Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 25% ACV  
 Category vitality rates include all innovations in scope, including data from all 5 countries (US, GB, FR, IT, DE) except w here indicated by \* \*\*  
 \*US only due to data availability \*\*Excludes GB due to data availability



# But vitality is attainable for everyone

Vitality rates are similar for big and medium brands; slightly lower for small brands

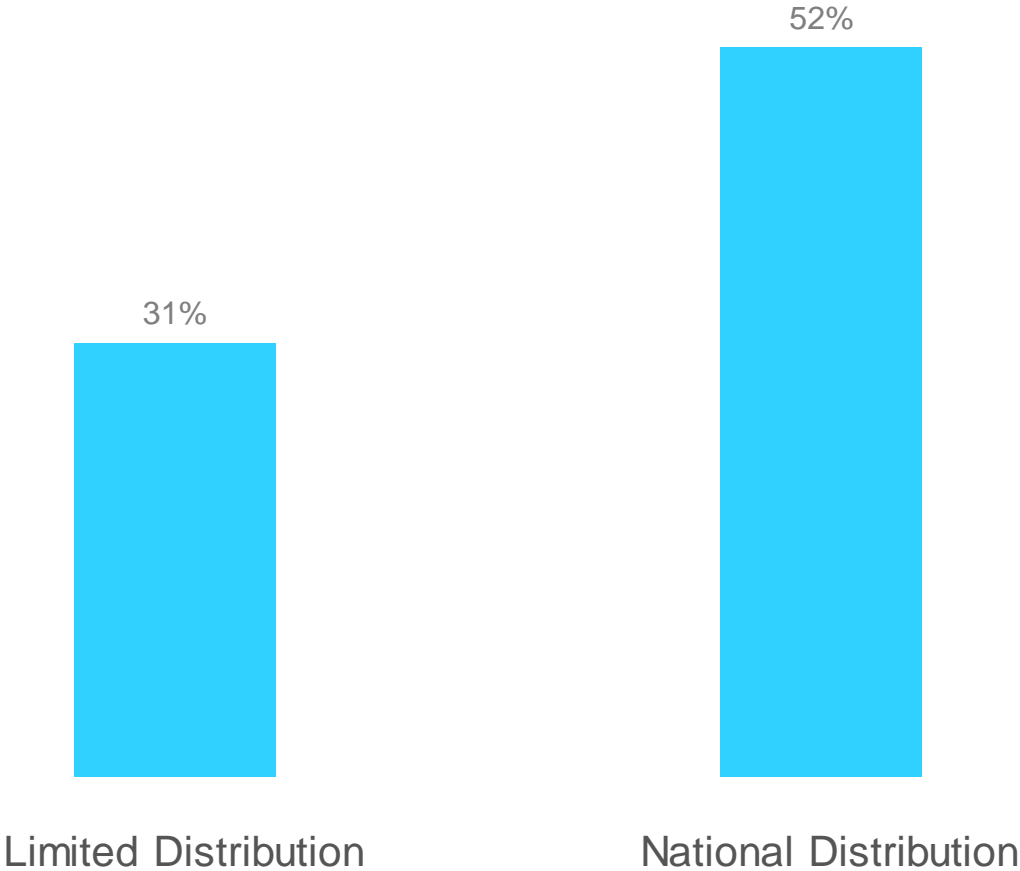


Source: NIQ BASES Innovation Measurement. Dollar share is computed by taking a sum of total sales across 2019-2021 for Total US



# For a variety of reasons, innovations with national-level distributions more likely to grow in Y2

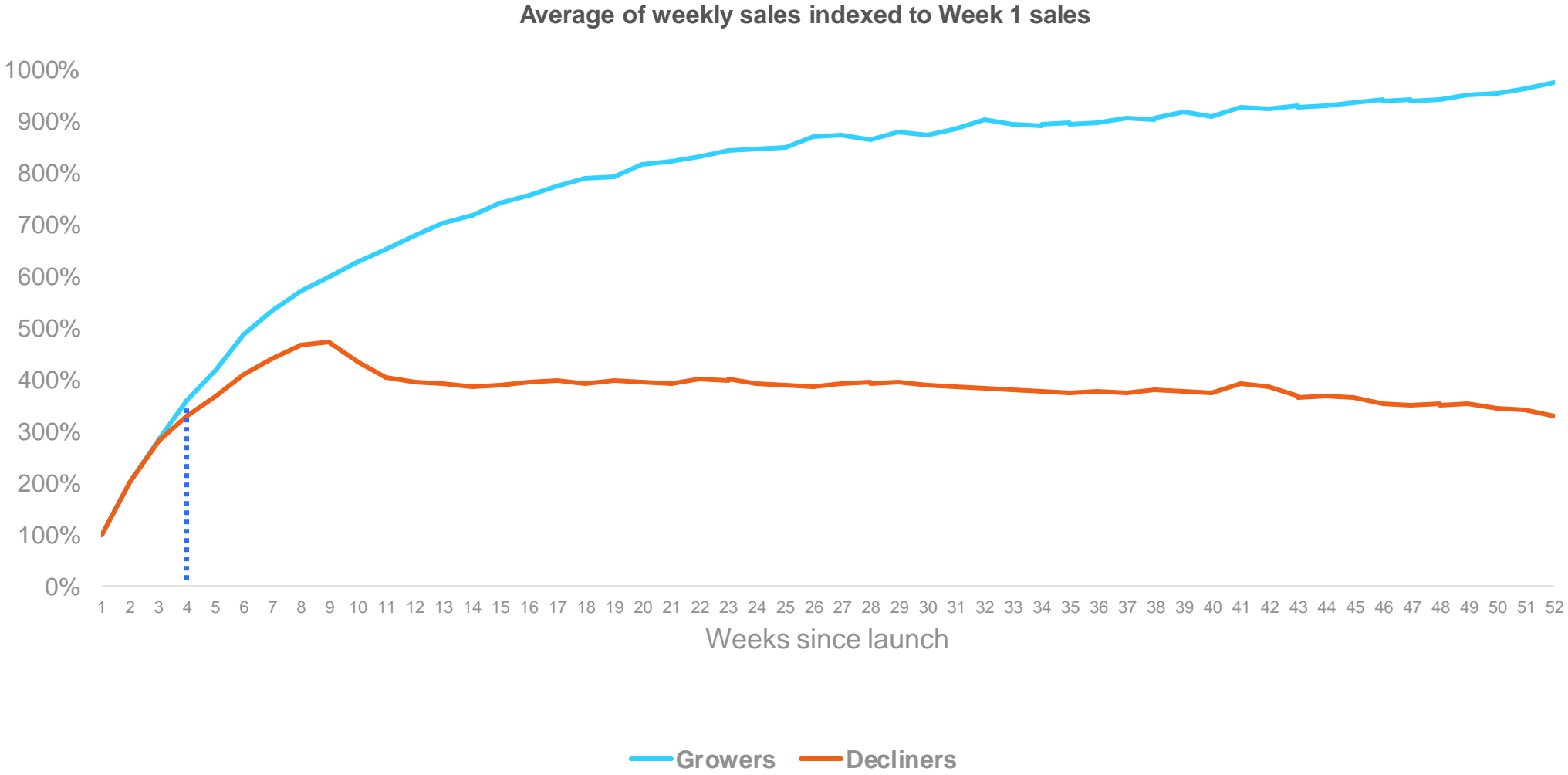
However, vitality is still within reach for innovations with limited distribution—product and activation must be even more on point



Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 1% ACV (Limited); 25% ACV (National)

# Time is of the essence when it comes to measuring and managing launched innovations

We begin to see divergence as early as Week 4



Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 1% ACV

# How to Achieve Innovation Vitality

# The road to vitality starts early...and long before the actual launch

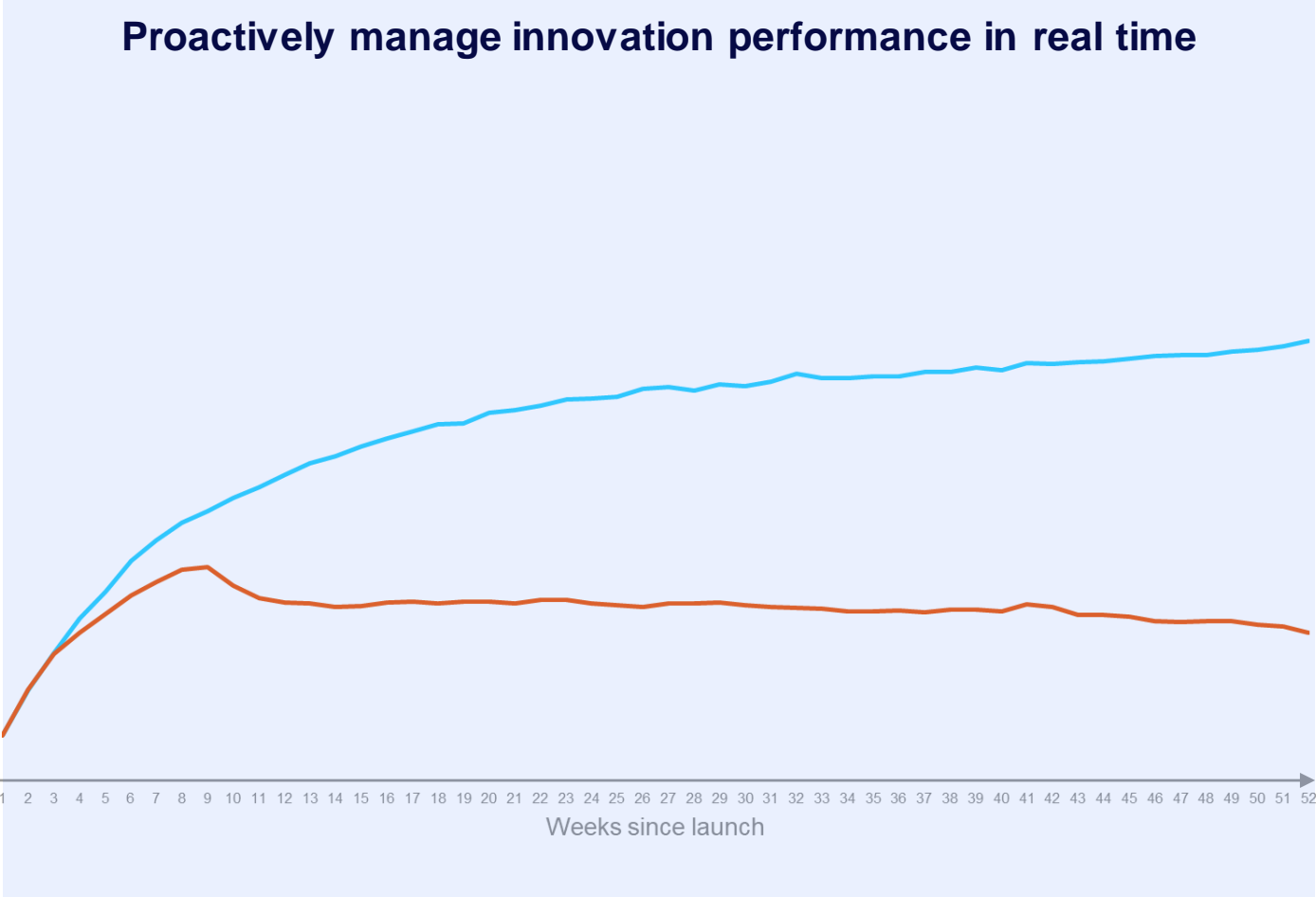
Find the right concept + product



Pair it with right activation



Proactively manage innovation performance in real time



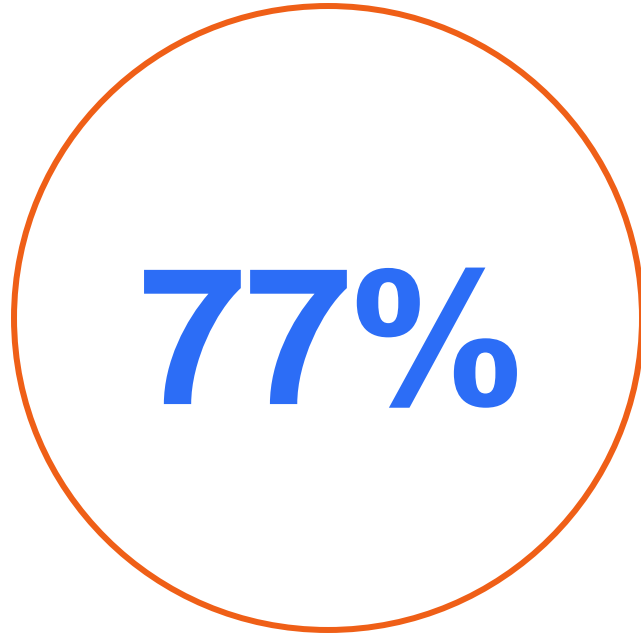
Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 1% ACV



**Find the right  
concept + product**

# Great innovations, unrealistic expectations

Leverage valid pre-market research to avoid an expectations vs. reality mismatch



of innovators indicate they should spend additional time on pre-launch prep<sup>1</sup>

“ It’s easy to skip over steps just to stay on timeline but then you don’t get to the robust food design we saw with Snap’d.”

- Senior Director, Kellogg’s



Former NIQ BASES  
Breakthrough Innovation Award winner

<sup>1</sup>NIQ BASES State of Innovation Survey, 2017; NIQ BASES Modern Innovation Ecosystem, 2021

# Compromised research quality threatens vitality

Sub-par data = missed opportunities and misguided investments

## Data Quality Checklist

- ✓ Test–retest reliability
- ✓ Data consistency and sample quality controls
- ✓ Benchmarks and norms that account for overstatement differences
- ✓ Multiple fraud detection tools

**"Inferior research quality resulted in misclassification of 62% of concepts."<sup>1</sup>**

<sup>1</sup>NIQ BASES Analysis of 91 concepts for major CPG manufacturer, with analysis through both DIY supplier concept pass system, and BASES Activation Profiles



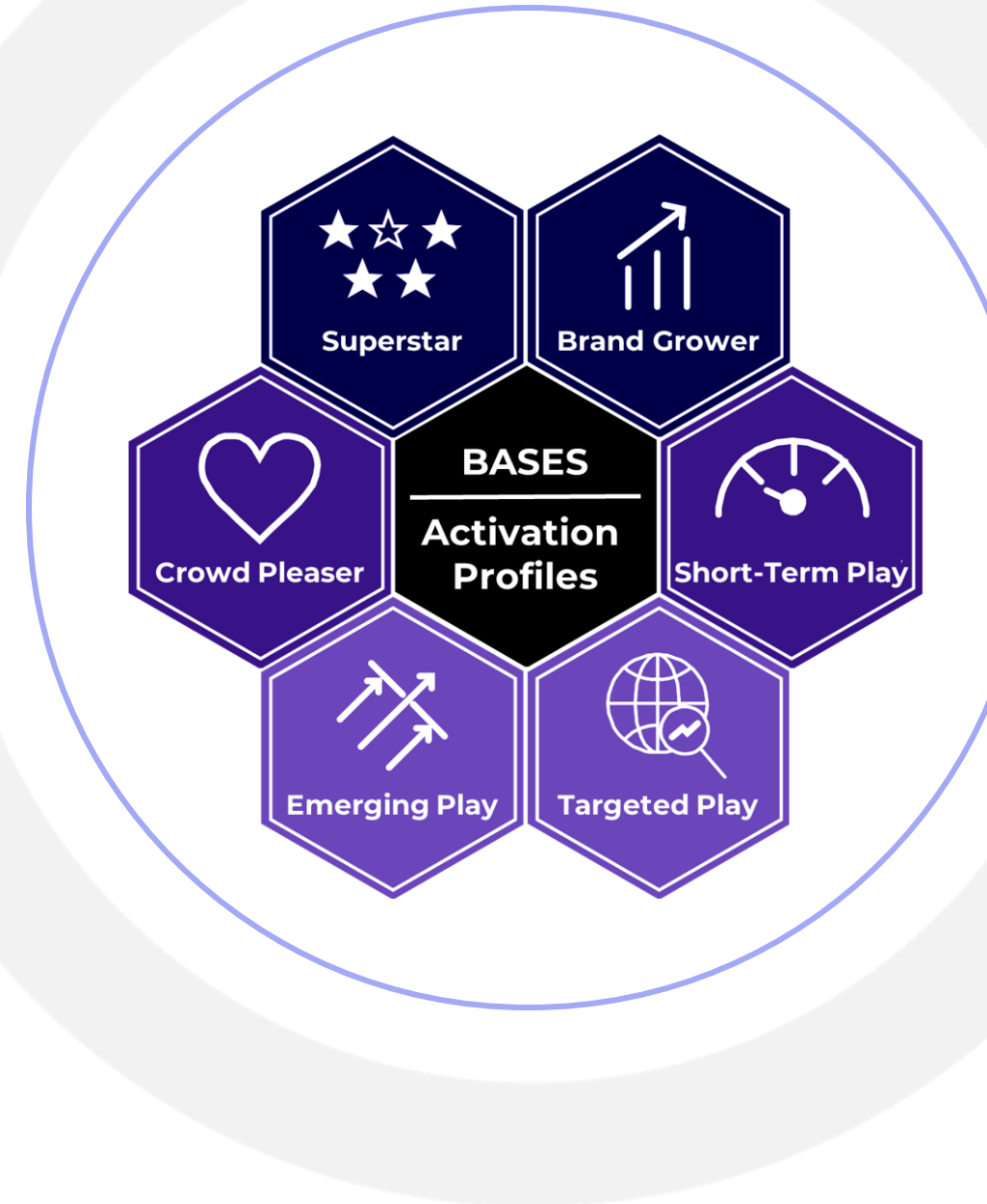
**Execute great  
activation**



## One-size-fits-all approach doesn't always translate across categories, markets, and brand type & size

### Support the right innovations in the right way:

- Understand your innovation opportunities based on strategic potential
- Evaluate tangible activation tactics and implications by looking at different pathways to success
- Make better decisions using predictive analytics



# Understanding the true potential of your innovations is crucial for success

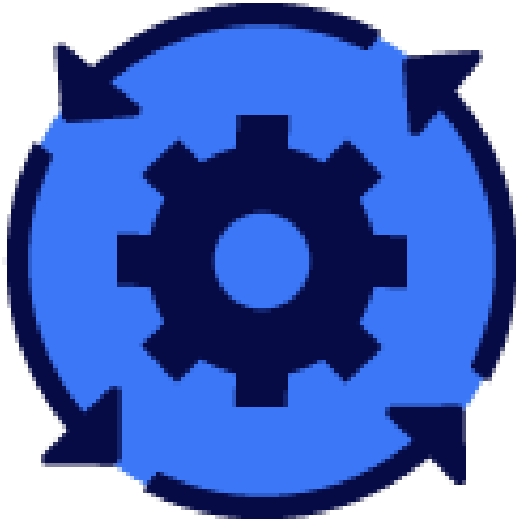
Volume forecast



Incrementality



Velocity potential



...and more

Year 2 support



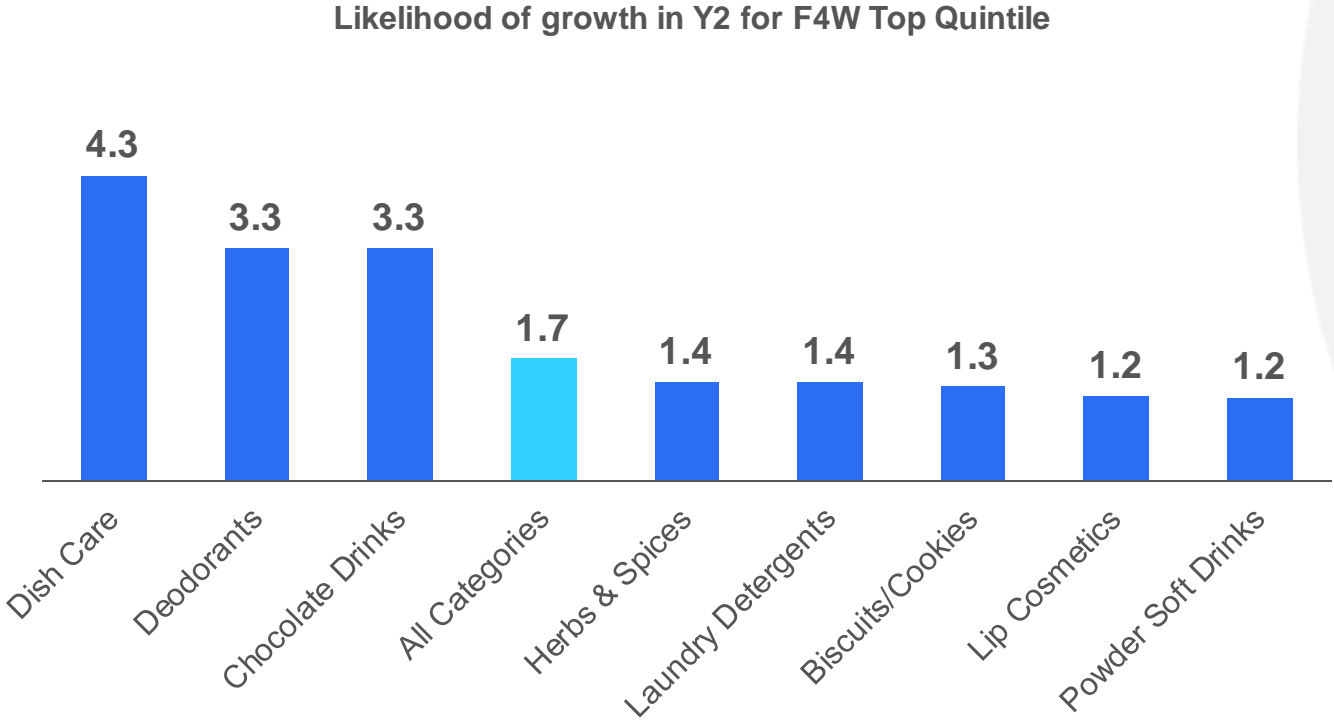
### Checklist for success

- ✓ Ensure your projections are realistic
- ✓ Confirm your innovation will grow vs. cannibalize your brand
- ✓ Know where you stand competitively in your category
- ✓ Understand which marketing levers to pull
- ✓ Look for learnings beyond launch



**Proactively manage  
innovations real  
time**

Innovations in **top quintile of sales in the first 4 weeks** after launch are **1.7 times more likely to grow sales in Y2 (Vitality)**.



And Yet...  
**67%**  
of FMCG marketers indicate they wait to Launch+10W to start assessing in market performance of a new launch\*

Source: NIQ BASES Innovation Measurement 3Y Meta-Analysis 2023.

\*Source: BASES State of Innovation Survey, June 2022; (n=794 global CPG professionals; 5-point scale, top 2 box).

# Velocity: A Leading Indicator for Vitality

Products Are

**3X**

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more likely to achieve vitality  
if velocities in the **top 40%** of the  
category

Only

**12%**

of products achieve vitality  
when velocity is in the  
bottom of the category

Source: NIQ BASES Innovation Measurement 3Y Meta-Analysis 2023.  
Velocity defined as Average of (Weekly Value Sales / Weekly Dist) across an item's first "Wks x - y" in-market

## Starting early is key for foresights and vitality

Week #

4

**60%** of categories show higher vitality among fast distribution growers

8

**80%** of innovations don't change their sales rank from week 8 to week 52 by more than 20%

13

**80%** of categories show higher vitality among innovations maintaining or growing distribution rank from week 4 to week 13

\*Source: BASES State of Innovation Survey, June 2022; (n=794 global CPG professionals; 5-point scale, top 2 box).

And yet...

**67%**

of FMCG marketers indicate they wait to Launch+10W to start assessing in market performance of a new launch\*

**How to innovate with  
incrementality in mind?**

# Successfully identified and executed extensions can drive brand and category growth potential

## Moving into New Channels/Categories



Increases penetration  
Incremental purchasing

## Expanding Usage Occasions



Increases consumption  
Attracts incremental users

## Removing Category Barriers



Increases consumption  
Increases penetration

## Premiumizing the Category



Trades consumers up  
Attracts higher spenders

All product and company names are trademarks™ or registered® trademarks of their respective owners.



# Existing equities can be valuable assets for expansion



## Arm & Hammer Clump & Seal Litter

Church & Dwight

Brought premium cleaning and deodorization benefits to very differentiated categories using its existing brand equity.



## Dove Men+Care Personal Care Line

Unilever

Built a new platform in adjacent categories with low cannibalization risk using its existing brand equity in premium personal care.

**Our systematic  
approach to  
growing your  
brands with  
innovations**

## Clients' needs for a wholistic Innovation Intelligence solution

	<b>Innovation Foresights</b>	<b>Innovation Management</b>	<b>Innovation Impact</b>
What happens at this stage?	Identify opportunities & convert them into innovations/renovations	Track new launches, identify growth/risk areas for the launch & act	Retrospective assessment of impact of new launches on brand/company/category to inform business strategy
Must haves	<ul style="list-style-type: none"> <li>▪ Speed-to-insights</li> <li>▪ Granularity</li> <li>▪ Future-looking</li> <li>▪ Full view of competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Early identification</li> <li>▪ Speedy refresh</li> <li>▪ Granularity</li> <li>▪ Channel &amp; market level view</li> <li>▪ Full view of competition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accurate Incrementality</li> <li>▪ Client-view of category &amp; markets</li> <li>▪ Yearly or half-yearly refresh</li> </ul>

# Key learnings

# Vitality is worth the pursuit

Innovations are not doomed to fail by default. 52% grow sales in Y2

Reliable data, goal-setting, and understanding your innovations' potential are key to vitality

Maintaining or growing your distribution rank in the category is crucial to Y2 growth

Proactive and early launch management can increase vitality in 80% of categories



# Remember: The road to vitality starts early...and long before the actual launch

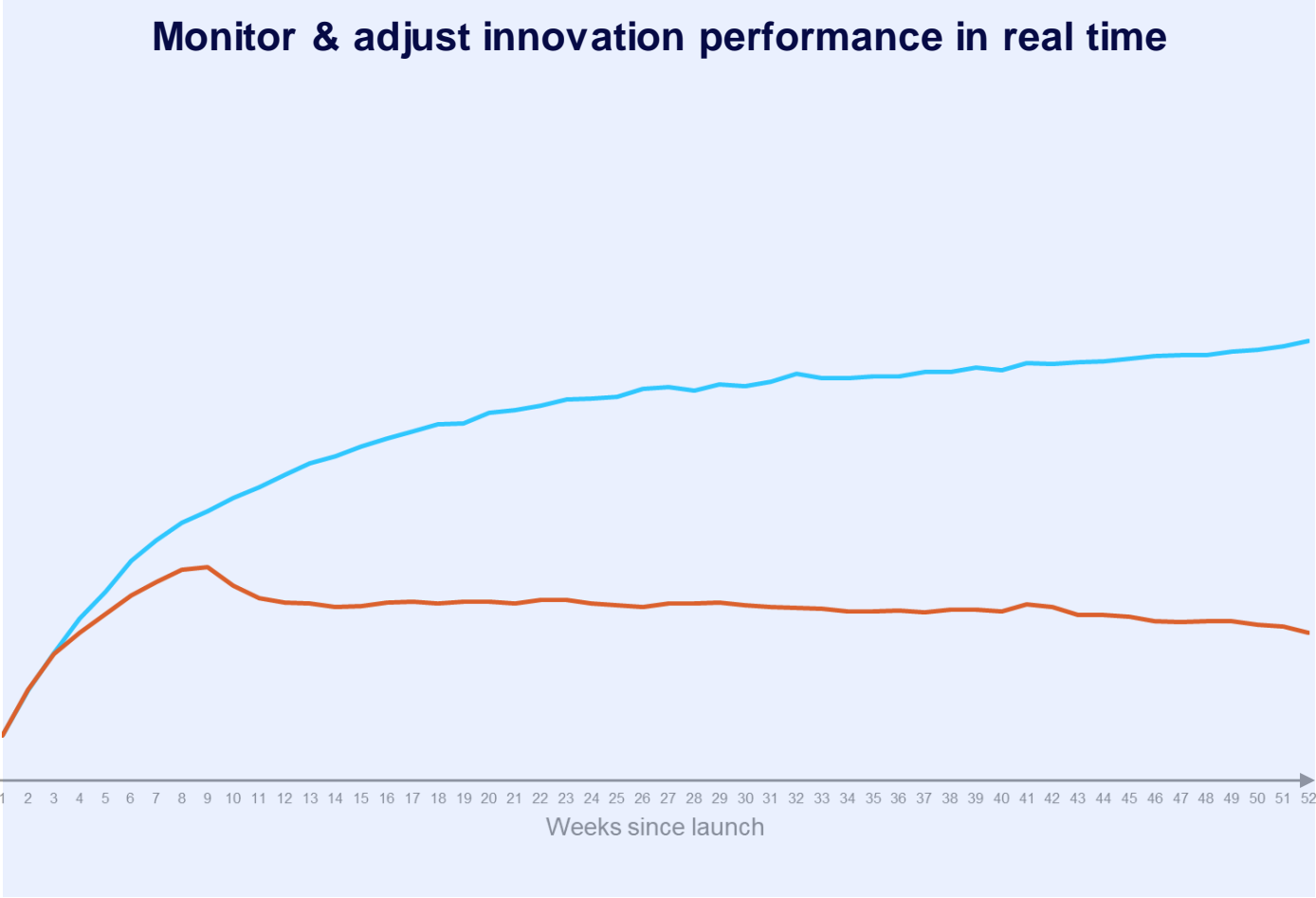
Find the right concept + product



Pair it with right activation







Monitor & adjust innovation performance in real time



Source: NIQ BASES Innovation Measurement Database. Distribution threshold = 1% ACV

# Center teams around these key questions

Innovation vitality is business vitality

   <b>MANUFACTURERS</b>				 <b>RETAILERS</b>	
<b>Insights / Brand</b>	<b>Strategy / M&amp;A</b>	<b>Analytics / Cat Man</b>	<b>Retailer Sales / Distributor Sales</b>	<b>Own Brands / Private Label</b>	<b>Merchant / Category Buyer</b>
How do we keep a pulse on competitors' launches?	What are new product attributes growing in the marketplace?	What are macro trends affecting our brand(s)?	How can we quickly find new items that retailers inquire about?	How do we keep a pulse on innovation launches outside our system?	Are we getting fair share of innovation launches?
What is our share of innovation dollars on the market?	Where are high potential white spaces to plan penetration?	Which competitors should we focus on most?	How can we create a compelling sales story for a new product launch?	Where should we expand our P/L brands?	How are innovations performing differently in rest of market?
How do we accurately benchmark our product launches against items in the market?	Which brands are high potential acquisitions?	How can we use volumetrics to benchmark innovations?	How can we best demonstrate category knowledge to our retailers?	How do we accurately demonstrate to our merchants performance of P/L brands vs rest of market?	How do we accurately track launches against items in the rest of market?



# Do You Know *Your* Innovation Vitality Rate?

Contact your BASES representative  
for more information

## **NIQ** BASES



**Thank you**

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