

Point of View



Building a Roadmap for Strategic Vision and Innovation with Market Landscape Studies

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Increasingly there are fewer performance differences between products. Where differences do exist, they are likely to have been built on a more ethereal basis, around branding, image and associated equity, appealing to the understated needs and emotions of consumers. Shortened time-to-market by competition and fast moving consumer goods trends often quickly negate any significant advantage. Therefore, having a thorough and current view of the total market – the underlying attitudes, need states (often by occasion) and beliefs that ultimately define consumer behavior – through strategic research provides an increasingly important road map necessary for strategy development, innovation and brand planning.

Putting Attitudes and Needs in Perspective

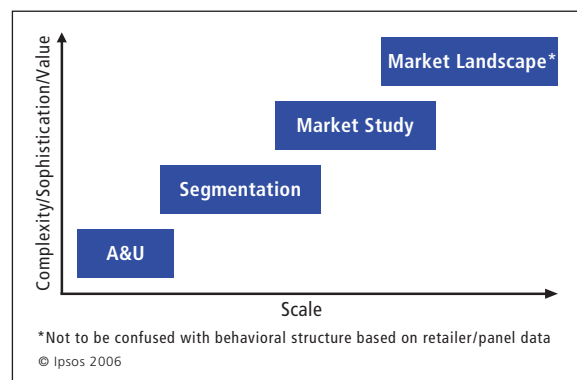
Understanding the attitudes, needs and emotions operating in a market, from basic instinct to brand-generated subtlety, is a way to unlock the consumer code, maximize product and brand differentiation and refine consumer targeting. In its latest iteration, this is typified by the buzz around neuromarketing. Although the spin may be new, in trying to understand the relationship between the consumer and the markets in which they operate, marketers and researchers have for decades cycled through a gamut of potential keys to better define, identify and capitalize on the dynamics of their markets. Psychographics, values, lifestyles, lifestages, socio-demographics, geo-demographics, and attitudes and behaviors have all played parts in a variety of segmentation schemes. However, at the end of the day, the vast majority of purchases – including those that are seemingly impulse purchases – are made due to products and brands meeting inherent needs.

Needs can range from basic – physiological, comfort, security – to less tangible, emotionally-based such as self-esteem and fulfillment. Need states today are undoubtedly more complex than those defined by Maslow half a century ago: they intertwine functional and emotional aspects that are often confounded by post-rationalization.¹ They can be continuous, intermittent or infrequent; evolve organically as fashion or novelty (as defined by Platt); and be deliberately created.²

Some can change fairly rapidly, while others evolve more slowly. While needs are more easy to identify in the aggregate, it is at the subgroup, and even the individual, level that they are most actionable. Nevertheless, they are not always linked to easily identifiable or visible variables such as gender, age, income, social status, and geography. In some situations needs are obvious and clearly reflected in behavior, while in other cases, less so. They can also vary quite substantially by occasion, consumer segment and category involvement. Therefore, identifying and evaluating needs in the market context is critical to generating actionable implications.

Gaining Strategic Understanding from Market Research

As the fundamental underpinning of consumer choice, needs are critical inputs to the marketing innovation process. Understanding, realizing and ultimately meeting consumer needs is the key to new product development and success in the marketplace. However, this process should not be regarded as a one-time isolated activity, but rather as a long-term commitment in terms of defining and redefining needs and then monitoring marketplace and brand performance. Market research studies that embrace needs identification include attitude and usage (A&U) studies, segmentation, market studies, and market structure and landscaping studies.

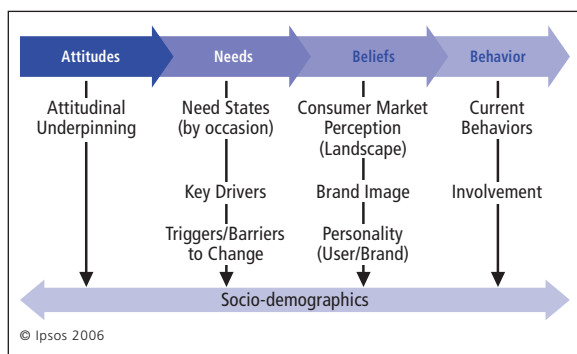


¹ A. H. Maslow, "A Theory of Human Motivation," *Psychological Review* 55 (1943): 370–396.

² J. R. Platt, quoted in T. Scitovsky, *The Joyless Economy: An Inquiry Into Human Satisfaction and Consumer Dissatisfaction*, rev. ed. (New York: Oxford University Press, 1992)

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These types of studies range respectively from small scale, low added value projects to large, more complex undertakings. It has been suggested by Fennel and Allenby that this whole area of research designed to identify needs is to some extent in disarray and requires an integrated, sequential approach.³ We agree there is confusion. However, we do not feel that multi-stage research is necessarily required; in many cases, timelines are just too short. At Ipsos Marketing we believe that a complete, holistic understanding and maximum value can be derived from a single market study encompassing attitudes, needs, key drivers, triggers, barriers, brand image/equity, current buying behaviors and perception of the brand structure or landscape. All contribute to the level of consumer involvement. Involvement level is tied to loyalty, brand and channel decision-making and the desire for and acceptance of new products, the basis for innovation.



However, we take the market study a step further to become a complete market landscape⁴ study geared to providing a definitive and detailed picture of the current marketplace and strategic road map generally sustainable for three years or more depending on market activity. Our unique approach to market landscape research combines our state-of-the-art proprietary models with our in-depth experience and practical knowledge, the result of which is a unified, actionable piece of strategic research.

The Dimensions of a Market Landscape Study

The framework in which a market structure or landscape study is conducted can be as broad or as narrow as required. It can be based solely around the immediate category, the cookie market for example, or it can extend to include a wider array of competitive products. In the broader context, cookies compete with other snacks such as savory products, fruit and candy.

Market landscape studies can be conducted either through central location testing or online. Both are effective methodologies, each appropriate for different scenarios. Our online approach to landscaping enables us to obtain the similarity/adjacency measures for each product/SKU among a subset of respondents to prevent respondent fatigue. For very large scale studies or when several layers of diagnostic measures are included that drive the interview length to be 60 minutes or greater, central location studies are recommended.

Central location requires a minimum ending sample of about 600 interviews and an interview length that often ranges between 60 and 90 minutes.⁵ Central location allows for the most control, long interviews, and hard to reach samples. Online interviewing is preferred for studies of a slightly smaller scope (typically when less than 100 products/SKUs are being evaluated). Online requires a minimum ending sample of 1,000 interviews, typically 30–45 minutes in length. The online methodology employs a similarity/adjacency rating over a sort. This technique is particularly useful in categories with multiple levels of product discrimination/choice, thus providing a more detailed understanding of the market landscape.

Qualitative Foundation

The market landscape and existing need states must be formulated from a clean slate. Preconceptions that may stem from the marketing team or from existing tangential research, although valuable input, should not be the sole foundation of the quantification. Consumer-defined needs must drive the process. This means that exploratory qualitative research, most likely in the form of focus groups, is a key initial component. The role of qualitative is to determine that all consumer needs, functional and emotional, are covered in the widest context across all potential occasions relative to both the category in question and the need occurrence.

³ G. Fennell and M. Allenby, "An Integrated Approach: Market Definition, Market Segmentation and Brand Positioning Create a Powerful Combination," *Marketing Research*, 17, no. 1 (2004).

⁴ This should not be confused with behavioral structure studies derived from panel and retail audit data.

⁵ Larger ending samples (in the range of 750 to 1,000 respondents) may be required to analyze derived segments and subgroups. Augmented samples may also be necessary to achieve measurable bases among low incidence populations.

It is also important to establish the associated consumer language and expression of such needs and not let them be driven by marketing assumptions or terminology. Such exploration must extend beyond the needs per se to establish how they fit into attitude and belief frameworks, how they are presently fulfilled and how they play into the brand landscape in terms of inherent benefits, triggers, barriers, imagery and equity. As this qualitative work is the precursor to quantification, it has to get underneath the obvious and look for the more subtle and perhaps more predictive underlying motivations that can then be translated into a survey instrument to quantify the needs states in the context of the perceptual market structure.

The Perceptual Landscape

Typically, studies commence with a similarity sort or rating exercise of current products in the category and potentially allied categories to determine how the consumer sees the market structured. This can often result in a different taxonomy than accepted trade classifications and is just one potentially very revealing perspective that emerges from this structuring exercise.

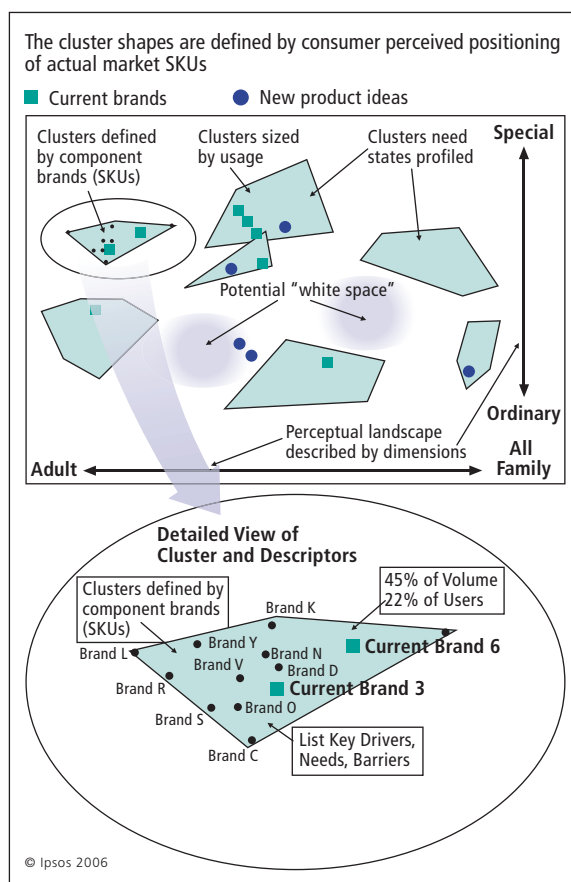
For central location, the task itself involves the respondent sorting up to 150 SKUs or products (usually in the form of package photographs) based on their similarity of use and their difference from the products in the other piles. In certain categories, the similarity sort should be conducted within major occasions or need states, as products can have differences within each key occasion. After the initial sorting task is complete, new product ideas ranging from close in to further out can be likewise sorted (with a provision for creating new piles).⁶ To further define the piles that are created, it is possible for respondents to attach descriptors from a predefined list to each pile as appropriate.

For online projects, the respondent rates how similar one product is to other products on a 10-point scale. This provides additional sensitivity over a sorting technique and is particularly useful for categories with more complex levels of discrimination/choice. The similarity ratings exercise is repeated for several sets of products for each individual. However, to keep the survey manageable, each respondent rates only a subset of the products, yet the online sample is set large enough to provide robust samples for each product/SKU. Again, when the task is complete, new product ideas can be compared to existing product ideas to gauge their similarity to current products.

Using a proprietary adaptation of multi-dimensional scaling, landscape maps are generated to show the perceptual brand landscape and how and why the SKUs cluster together. This is based on brand, usage, occasion, ingredient, package type, form and so forth often in combination. The clusters are defined mathematically but are interpreted by observation and/or the supplementary descriptor exercise undertaken by respondents.

An example of landscape mapping is shown below.

Market Brand Landscape



⁶ Ideas are typically communicated as a drawing or photograph of the branded product with a short, non-emotive description.

Building on the Baseline

Once the baseline perceptual structure of the market is established a considerable number of analytic opportunities are afforded, including:

- Comparison to existing hypotheses of the market's structure (e.g., trade classification).
- Profiling of consumers in terms of their usage of the defined brand/product clusters (who, how many and why).
- Examination of the differences by key socio-demographic, behavioral or user subgroups.
- Overlaying of needs (often by multiple occasions) and attitudinal segmentation.
- Mapping of brand image and equity across the defined clusters.

Identifying White Space Opportunities

The landscape map is also a powerful source with which to identify and profile the "white space" within the structure. White space is perceptual space where no, or few, products exist and yet, through the determination of customer attitudes, needs and beliefs facilitated by the research, there is potential opportunity to either reposition an existing brand or to explore and develop new product ideas. White space evaluation is further enhanced via the positioning of the new ideas in the perceptual landscape. Not only can the extent to which the new ideas occupy the discovered white space, gravitate to existing clusters or define new space be established, but also their initial acceptability can be assessed. Additionally, via Ipsos Marketing proprietary adaptations of TURF and Shapley Value analysis, the optimal combination and reach of the new ideas can be determined. It should be kept in mind that the new product evaluation component is not a surrogate for concept evaluation but an early assessment of broad opportunity and possible brand extension opportunity.

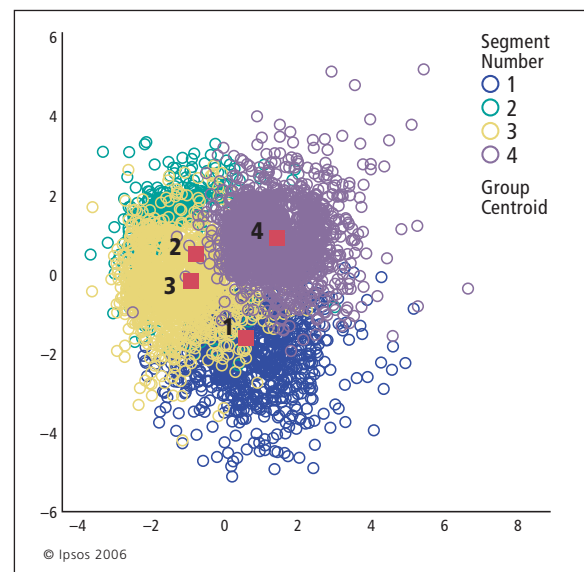
Drivers and Need State Segments

Linking key drivers to needs states is an important analytic process. While some needs are more general and universally applicable, as already discussed, in many situations they are also occasion-specific. Therefore, key occasions have to be predefined and needs often evaluated in the context of specific occasions, either from recall or via a diary. Additionally, needs may very well vary by the type of consumer

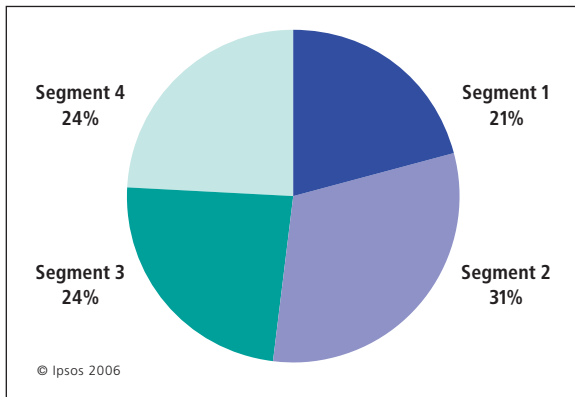
(e.g., socio-demographic groups, heavy users, and brand-specific users). Consequently, it is important that there are a sufficient number of respondents in the sample design to permit subsequent analysis. It is essential not only to identify the needs hierarchy, but also to define important unmet needs as well as those that are commonly met and are often conditional cost of entry requirements.

Developing a needs state and attitudinal segmentation scheme is a natural analytic progression and is often the core of major strategic work. However, segmentation is only effective if the derived segments can be clearly identified in the market. "Food Loving Freezer Stuffers" may be an intriguing segment name, but unless members can be pinpointed in the decision and purchase cycle in the marketplace, the exercise is somewhat academic.

Segmentation schemes are typically built around cluster analysis methodologies. However, many of these approaches are ineffective due to the compromises they introduce in terms of the data used to define the clusters (often just attitudinal), the number of clusters formed, or simply the wrong clustering method applied to the available data. At Ipsos Marketing we use several segmentation approaches that can take into account multiple dimensions encompassing attitudinal, usage/behavioral, and socio-demographic data, thus leading to a greater actionability of the resulting segments.⁷

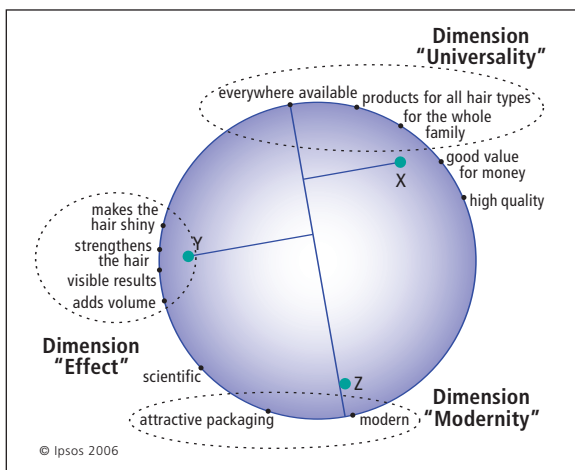


⁷ For more information on market segmentation, refer to Ipsos Marketing's White Paper series "Actionable Market Segmentation Guaranteed" by Larry Anderson, Ph.D and Jay Weiner, Ph.D available at www.ipsosmarketing.com.



Not only can the consumer segments be fully profiled, and used as analysis criteria in their own right, but they can also play a strong role in the interpretation of the perceptual landscape structure. Understanding which segments operate within each of the perceived brand/product clusters provides further definition of the market dynamics and the consumer, brand and new product opportunities within the structure.

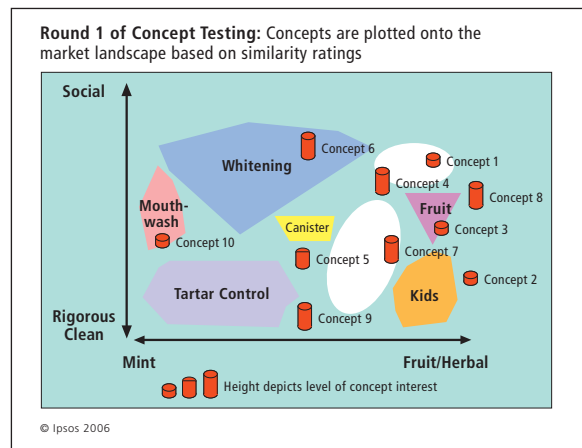
As attitudes and needs condition behavior in the landscape, beliefs about brands and images of brands ultimately define consumer choice. Thus a market landscape should also integrate a full understanding of brand performance in terms of satisfaction, delivery against key needs and overall image and equity. Usually spawned from brand ratings, strengths and weaknesses are established, performance assessed, brands mapped against each other and market attributes, gaps analyzed and a product performance map generated:



Feeding the Innovation Cycle

The perceptual landscape identifies white space opportunities in conjunction with segment/targeting information and assesses unmet consumer needs. This information can be used to guide new platform and prospecting development. Hence, rather than prospecting many ideas that are not driven by consumer needs or are in areas that are already well met by other existing products, the prospecting will be directed at areas that can fill white space and deliver to unmet consumer needs within your category.

As innovation proceeds and new concepts are created and ready to be tested, they can be evaluated within the market landscape to ascertain which concept ideas are indeed falling in white space areas. Similarity measures are collected when conducting subsequent rounds of concept testing, which enables the new ideas to be plotted on the market landscape. An illustration of the market landscape map that includes concept testing results is shown below.



An Essential Road Map

Given the amount of data generated, and the sample sizes required for detailed analyses, there is little doubt that market landscape studies are large undertakings. But they are essential and invaluable road maps for strategic vision, brand planning and innovation.

A successful market landscape study:

- Establishes the consumer perceived organizational structure of the market.
- Determines the specific consumer need states relative to available choices.
- Identifies the triggers and barriers (emotional and functional) to interest in, and usage of, the various product categories and brands.
- Provides a detailed understanding of current consumer attitudes and needs within a defined market and how they condition behavior.
- Defines product use and how product/brand selection and purchase relate to occasion, setting, mood, and so forth.
- Assesses brand/product imagery and performance within the established market dynamics.
- Identifies, profiles and sizes white space opportunities.
- Examines where new product ideas might play in the market landscape.
- Adds dimension to the consumer-classified structure of the marketplace in terms of traditional and non-traditional consumer and product segments.
- Provides the basis for innovation strategy.

The market landscape creates a visual representation of the entire battlefield which allows marketers to identify and counter competitive threats, re-deploy resources (SKUs) where they are needed, and allow for strategic planning as well as tactical responses. Except in very fast changing markets with new brand entries, or a changing consumer base, market studies do not need to be conducted annually. Nevertheless, they should still be contemplated on a regular basis. The investment, which can be amortized over several years and spread over a number of brands and new product ideas, proves to be a powerful tool in the strategic armory.

About Ipsos Marketing

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

Ipsos Marketing operates under a global structure that brings clients unequalled research expertise throughout their innovation and brand development process. Supported by specialized teams, Ipsos Marketing offers in-depth understanding of the drivers of consumer choice and of the marketing challenges faced by our clients. Our experts provide integrated qualitative and quantitative research solutions, as well as advanced modelling and forecasting techniques that include simulations and linkages to in-market data.

Ipsos Marketing is present in 55 countries, with a leading position in both mature and emerging markets. In 2007, it achieved global revenues of 445 million euros, contributing to 48% of Ipsos' total global revenues.

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.

Ipsos Marketing is a specialization of Ipsos, a global survey-based market research company that offers expertise in advertising, customer and employee loyalty, marketing, media, and public affairs research.

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