Eliminating the Bias in New Product Forecasts

Presented by:
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The Partners

Consensus Point

• The industry leader in Prediction Markets
• Over ten years experience in Internal and External Prediction Markets
• Expanded PM utility beyond new product concept testing
• Strong strategic partnerships: IRI and Top Box Associates

IRI

• Acclaimed leader in Innovation for CPG, Retail, and Healthcare
• Over 30 years experience in delivering growth
• Strong presence in primary research
• Leverages primary and secondary resources for integrated learnings
The Challenge

90% OF LAUNCHES FAIL TO MEET CRITICAL EXPECTATIONS

Key Issues

• Achieving Forecasted Sales
• Driving Incremental Sales Volume
• Sustainability
• Role within Portfolio
Poor new product forecasts are caused by two things:

1. Inaccurate or outdated category definitions
2. Over reliance on claimed or stated behavior

**ROOT CAUSE**

**OUTCOME**

1. Artificially narrow competitive frame of reference and source of volume
2. Inaccurate forecasts and incrementality assumptions
The Approach

**Behaviour Defined**

- Share of stomach
  - Cross category
  - Attribute based
  - Anchored in actual switcher responsiveness

**Power of the Idea**

**Emotional Reaction**

- Purchase interest/intent
- Credibility of RTB (Reason to Believe)
- Fit with Brand
- Point of difference
The 3 Step Process

Let Shoppers Define the Context

Ask them Attribute Based Questions

Create a Model which Integrates both Inputs into a Single Forecast
Shoppers define categories differently than manufacturers or retailers

<table>
<thead>
<tr>
<th>Products</th>
<th>Attributes that get the job done</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>Single Serve, Low Cal, Energy</td>
</tr>
<tr>
<td>Probiotic</td>
<td>Digestive Health</td>
</tr>
<tr>
<td>Spray</td>
<td>Odor Management</td>
</tr>
<tr>
<td>Crackers</td>
<td>Portable snacks for kids</td>
</tr>
</tbody>
</table>

Illustrative Only
Understanding this context sets the foundation for accurate new product forecasts

1. SHOPPER DEFINED SEGMENTS

- Mainstream
  - Segment A
  - Segment B

2. ACTUAL COMPETITORS

- Newman’s Own
- Starbucks

3. TRULY DIFFERENTIATING ATTRIBUTES

- Organic
- Garlic flavored
- Real Cheese
- Non-GMO
- Gluten Free
- Spicy
- All Natural
- Secret Recipe Based
- Minimally Processed
- Anti Oxidant based

Note: Attributes came from structure and client/product description

*Does not represent the entire segment.
<table>
<thead>
<tr>
<th>Brand endorsed</th>
<th>High End</th>
<th>Mainstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will the feature below encourage purchase by consumers who tend to buy higher end Oatmeal brands (e.g., Bob’s Red Mill, Coaches, Umpqua, etc.) at Natural/Organic Grocery Stores?</td>
<td>![High End Chart]</td>
<td>![Mainstream Chart]</td>
</tr>
<tr>
<td>Will the feature below encourage purchase by consumers who tend to buy mainstream Oatmeal brands (e.g., Quaker, Store Brand/Private Label, etc.) at Grocery Stores and Mass Merchandisers?</td>
<td>![High End Chart]</td>
<td>![Mainstream Chart]</td>
</tr>
</tbody>
</table>
Attribute Value Drivers

Spread Analysis
Specific attribute impact on likelihood of success

No significant difference between custom milled and expertly kilned

Illustrative Only
Focus on the key consumer drivers

Segment Likelihood to Purchase
% probability of purchase intent

Dark chocolate is great because it’s sweet and better for me than regular chocolate.

Gluten free is just a fad. Most gluten free products taste bland.

Additionally, we’ll overlay verbatim from the respondents about what’s driving their likelihood to purchase one more than another.
Loyal buyers limit share loss without any marketing, 16.3% of mainstream buyers are loyal.

Loyal buyers to competition limit the maximum share achievable from marketing.

Uncertain buyers determine how much share can grow from marketing, XX% of mainstream buyers switch between brand A and other mainstream brands.

Current share determines rate of share change from marketing … high share brands saturate at a faster rate.

Optimal ad spend and profit in share.
Our proprietary behavior based predictions have been proven to be extremely accurate

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Predicted (Year 1)</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Beer Brand</td>
<td>1.04%</td>
<td>0.93%</td>
</tr>
<tr>
<td>Beer Line extension</td>
<td>0.98%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Competitive Beer Brand</td>
<td>0.27%</td>
<td>0.21%</td>
</tr>
<tr>
<td>New Beverage Brand</td>
<td>0.15%</td>
<td>0.11%</td>
</tr>
<tr>
<td>New Coffee Brand</td>
<td>$17.6 MM</td>
<td>$17.4 MM</td>
</tr>
<tr>
<td>Coffee Line Extension</td>
<td>$8.0 MM</td>
<td>$8.3 MM</td>
</tr>
<tr>
<td>Protein Bar</td>
<td>$7.4 MM</td>
<td>$7.1 MM</td>
</tr>
</tbody>
</table>

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**Forecast & Actual Sales ($M) - All Outlets**

- **OTC Pharma**
  - N24 All Outlet Forecast Cumulative
  - N24 All Outlet Actual Cumulative

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**Logos:**
- Consensus Point
- IleX2016NA
- IRI - Growth delivered.
THANK YOU!

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Visit us at the Consensus Point Booth
Between Track 2 and Salon 1