

New products from market research



Curriculum Topics

- Market research
- Types of research
- Quantitative and qualitative
- Product development

Introduction

The Kellogg Company is the world's leading producer of cereals. Its products are manufactured in 18 countries and sold in more than 180 countries. For more than 100 years, Kellogg's has been a leader in health and nutrition through providing consumers with a wide variety of food products. These are designed to be part of a balanced diet and meet the different tastes of consumers. Kellogg's focuses on **sustainable growth**. This involves constantly looking for ways to meet consumer needs by growing the cereal business and expanding its product portfolio.

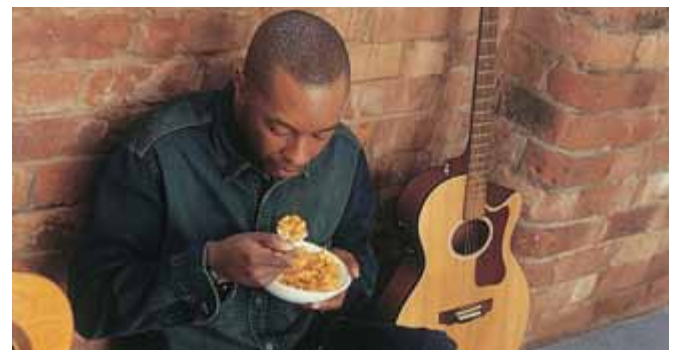
Market research is a specific area of marketing that informs businesses like Kellogg's about the things consumers need, how best to design products to answer those needs and how to advertise those products to consumers. Market research goes beyond finding out what consumers are thinking today. It can identify what consumers might want in the future. In this way market research helps a business to make more informed choices. This reduces the risks for any **new product development (NPD)**. It also increases the likelihood that products will be well received by consumers when they are launched.

Kellogg's launched Crunchy Nut Cornflakes in the UK in 1980. Since then, it has become one of the most important brands for

Kellogg's with a **sales value** of £68 million*. In 2003 the Crunchy Nut brand created a **brand extension**. This involved using the Crunchy Nut name to launch a new product called Crunchy Nut Clusters. This **variant** has two varieties, Milk Chocolate Curls and Honey and Nut. Both of them have enabled the brand to reach a wider group of consumers. This brand extension is now worth £21 million in annual value sales.*

This case study focuses on the importance of market research during the development and launch of Crunchy Nut Bites, a more recent extension to the Crunchy Nut brand. The objective of this innovation was to provide a new flavour and texture for consumers, helping Kellogg's extend its share of the breakfast cereals market.

*IFI sales data



Sustainable growth: Developing the business to meet the needs of consumers today, while respecting the needs of future generations.

New product development (NPD): Term used to describe the processes involved in creating a new product.

Sales value: The value of sales made over a fixed period of time.

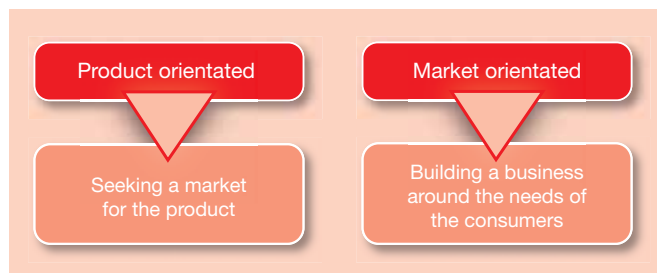
Brand extension: The use of a well known brand to launch a new and complementary product.

Variant: Alternative to the core product introduced by the maker of the brand.



Why carry out market research?

Many organisations are described as **product orientated**. This means they develop a product and then look for a market to sell to. Kellogg's is **market orientated**. This means that the whole organisation focuses on the needs of its consumers. It is therefore essential that it identifies and anticipates changing consumer needs before the development of new products.



Market research adds value to businesses like Kellogg's by identifying consumers' needs. It helps Kellogg's to plan ahead, for example, looking at what products or extensions it should develop and for whom. It focuses the business on the needs of its consumers. An organisation that does this can improve its **competitive advantage**.

In an established market, such as breakfast cereals, there is little room to increase the overall sales in the market. Kellogg's is therefore always looking for ways to strengthen its own portfolio. Designing new products is a good way of doing this. However, this can take a long time and may involve considerable costs. In addition to the resources required during development, suppliers must produce an advertising campaign to raise awareness of the product among consumers and encourage retailers to stock the product. Launching a new product can be a risky business.



Of the hundreds of products launched every year in consumer goods markets, very few reach significant market share. In order to reduce risks, market research is, therefore, essential.

A product extension is a less risky way of increasing market share by providing consumer products with new features under an existing brand. New product extensions give more choice to consumers and help them to feel more favourably about the existing brands.



Types of research

To develop a new Crunchy Nut brand extension, Kellogg's commissioned **primary research**. This is research gathered first-hand to answer questions that are specific to the project.

Although primary research is often time-consuming and expensive, it is considered as a reliable source of information because it is directly from the consumer and is specifically designed to meet the objectives of a project. There are a number of different ways of collecting primary data. Sometimes agencies are employed to collect data using, for example, street interviews or a questionnaire. This is a systematic list of questions that obtain feedback from the consumers. For the development of Crunchy Nut Bites, Kellogg's used various different methods of primary data collection.

Primary market data may involve **qualitative research** or **quantitative research**. Both types of data are valuable in understanding what consumers want or need. Qualitative data is concerned more about opinions, feelings and attitudes. Quantitative data is in numerical form and is usually gathered from a large sample of respondents.

Product orientated: A business strategy that focuses on the product rather than the customer.

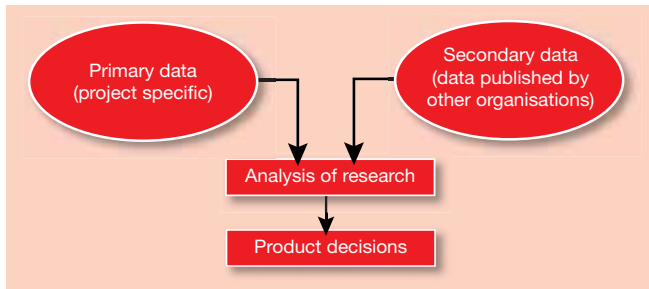
Market orientated: Focusing an organisation on the needs of its customers.

Competitive advantage: A strategic element that enables an organisation to compete more effectively than its rivals.

Primary research: Research that is carried out for the first time to meet a specific objective.

Qualitative research: Associated with consumer responses, feelings, attitudes and descriptions.

Quantitative research: Associated with figures or numbers that help to make the research more objective - usually taken from a large number of consumers.



Qualitative research establishes a conversation with consumers. It prompts consumer reaction to, for example, a new product idea and helps researchers understand what they think of it, how it makes them feel, why they find it interesting or not. Qualitative research may be obtained through **focus groups**, where a moderator captures feedback from a group of six or seven consumers to the ideas shown to them. Those ideas may take the format of drawings or having new food **prototypes** to taste.

Quantitative research may use questionnaires administered to large numbers of respondents. This allows statistical analysis, such as the calculation of a **mean** score or percentages. It aims to give a representative picture of what consumers think of a new product idea or a new (real) food. It may involve the use of scales, so numbers get associated with a particular meaning – for example, on an evaluation scale of 1 to 7, where 1 means ‘very poor’ and 7 means ‘excellent’. Crucially those numbers need to be interpreted to enable the business to understand the consumer’s overall response.

In addition, Kellogg’s used **secondary research** which is existing research that has already been collected by other organisations. Sources of secondary data include books, journals, the internet and government statistics. Market research agencies collect a range of data which they process and use to provide organisations like Kellogg’s with research. The benefits of secondary research are that it is quicker and often less expensive than primary, although it may not always be completely related to the needs of a specific project.

Information gathering – discovery to selection

For Kellogg’s, the order in which the information is gathered is as important as the type of information being gathered. In order to develop the new Crunchy Nut Bites, Kellogg’s undertook four distinct stages of research.

Stage 1: Discovery

Initial research aimed to identify a set of new food ideas that would be suitable for developing a new Crunchy Nut product. Secondary research from Mintel and Datamonitor was used to find out about innovation trends in the cereal market. It was also used to find out about new products, flavours and foods from around the world. Food developers at Kellogg’s used this information to come up with a number of new food ideas.

Focus groups were used to provide qualitative research. These were used to show consumers the new food ideas in the form of a number of different (real) food prototypes, including a mini crispy lattice product and a nutty triangle. The focus groups captured the attitudes and feelings of consumers towards the new foods. This primary research helped Kellogg’s to find out how new product suggestions could be developed and still fit in with the Crunchy Nut brand. It helped Kellogg’s to establish what consumers were looking for in terms of potential new flavours and textures.

The results allowed Kellogg’s to discard some ideas. Other ideas were appealing for consumers but needed refining and further development. At the end of this stage, Kellogg’s had a number of new food ideas that all seemed to appeal to consumers.

Stage 2: Selecting the best idea

This stage aimed to select the best idea arising from the stage 1 research. Kellogg’s put the ideas from the focus group on boards. The boards had pictures showing product ideas and a description of what the new product would be like. These boards were then shown to a large group of representative consumers in a quantitative survey. They were asked to rate those ideas against a number of scales, so Kellogg’s could identify which product ideas consumers liked best or disliked.



Focus groups: Small group, usually of 6 to 8 people, used as part of a process of research to elicit feedback.

Prototypes: A single example of a planned product that can be tested and modified before entering production.

Mean: Average of all values.

Secondary research: Uses data that has already been collected and/or published e.g. in newspapers, books or reports.

The quantitative data created specific statistical information that indicated that a new Crunchy Nut Bites idea was perceived as the most appealing amongst all the ideas tested.

- It established what proportion of people liked the new product idea enough to buy it.
- It also identified those product ideas that had the best or least sales potential.

Information gathering – development to launch

Stage 3: Crafting the idea into a complete new product

Once the best idea had been selected from stage 2, Kellogg's needed to make this idea become a real product. The Crunchy Nut Bites food prototype recipe was refined using the feedback from another qualitative and quantitative survey.

The qualitative research helped Kellogg's food technologists to explore the taste and texture of the new food idea in more detail. Kellogg's needed to understand the 'eating experience' of the consumer before a decision could be made about how to develop the recipe in more detail. Following this stage, four product recipes were developed and these prototypes were then tested with representative groups of consumers in a quantitative survey to see which product consumers preferred. This enabled Kellogg's to select the best one.

Also, at this stage, the pack design for the new Crunchy Nut Bites was developed. Several designs were developed aimed at giving the new product the same look and feel as the rest of the Crunchy Nut family. The packaging designs were tested with consumers, which enabled Kellogg's to select the final packaging design for Crunchy Nut Bites

Stage 4: Forecasting sales for the new Crunchy Nut Bites

At Kellogg's, every product has to undergo one final test prior to a new product launch. This is called the 'In Home Usage Test'. The consumers are given the product to try for several days and this enables Kellogg's to capture how consumers interact with the product for the first time. At the end of the trial, consumers complete a report on what they thought of the food in the form of a questionnaire. This final survey measures how appealing the new product is to consumers and how likely they would be to buy it in real life.

The data collected also helped to calculate a sales forecast for the new product for the first and second year in market. The forecast was used by the finance department to set **budgets**, organise the **supply chain** and to schedule food production. Once the data was analysed and the product concept tested, Kellogg's was able to make the strategic decision to go ahead with the new product. Production could then take place.

Conclusion

Kellogg's used market research throughout the whole development process for a new product for the Crunchy Nut range, from the initial idea to the planning of production and delivery. During the earlier stages of research, consumer responses helped Kellogg's to explore lots of different ideas in an open way. It then crafted some ideas in more detail and screened those ideas with consumers to select the one which seemed to have the highest appeal.

The idea became real by testing several recipes, refining the food prototype selected and developing the design for packaging. Once the food and packaging elements for the new product had been developed, the whole product was tested with consumers to ensure it met their needs. The data also provided a sales forecast to predict the first two years of sales of Crunchy Nut Bites.

Crunchy Nut Bites has extended the Crunchy Nut family of products. In doing so it has brought new consumers to the brand and increased its consumption. Kellogg's launched Crunchy Nut Bites in September 2008. Sales data shows it was one of the best performing brands to launch in the breakfast cereal category with a sales value of £6.9 million in its first full year of sales.* This illustrates that the detailed market research undertaken during the planning stages was valuable. It helped to ensure that the product extension hit the spot with consumers straight away.

*IRI sales data

1. Describe the purpose of market research.
2. Explain the difference between primary research and secondary research.
3. Analyse why an organisation like Kellogg's would use both qualitative and quantitative data.
4. Evaluate why market research can reduce the risks of a new product launch.

QUESTIONS

Budgets: Financial plans for the future that show where costs and revenues will come from.

Supply chain: The chain of processes linking the manufacture of products with physical distribution management so

that goods are moved quickly and efficiently through various processes to meet consumer needs.