THE FLAVOR OF INNOVATION

HOW FOOD MARKETERS CAN MAXIMIZE ‘ANTICIPATED TASTE’ TO INCREASE TRIAL PURCHASE

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Food manufacturers and restaurants spend millions of dollars, coupled with months of development time every year, creating new food products and offerings. Teams of talented chefs, state of the art test kitchens and consumer feedback all help create great tasting products. Yet, if a new product isn’t purchased quickly and consistently once launched, it will ultimately fail to meet expectations. Without the appropriate amount of trial purchases, how a product actually tastes doesn’t really matter.

For food manufacturers and restaurants, it’s critical to maximize the taste promise or anticipated taste to increase the sales of new products. When customers see an appealing flavor proposition, they’re likely to try it. But based on first year sales numbers for new food products in 2012, few companies have mastered the art of conveying anticipated taste.

According to 2012 data, 58 percent of all new food product launches accrued less than $7.5 million in year-one sales. Of the products launched, 65 percent of them offered a “Distinctive/New Flavor or Flavor Combination” as a top benefit. While companies are trying to create a competitive advantage with new flavors, they simply aren’t succeeding in many cases.

Today, consumers want flavors that immediately create an expectation that the product will taste good, enticing a purchase. This is an even greater challenge when you consider that bold flavors are attracting more buyers. A recent Technnomic study shows 37 percent of consumers are increasingly driven to try bold and new flavors. Wanting to define the key components that impact anticipated taste with consumers and explore the complexities of unique flavor combinations, Nielsen conducted a research study examining a food product that many people can relate to: pizza. What emerged were a number of critical insights that food innovators should consider before cooking up that next great food product.
Combinations of flavors, not individual flavors, hold the key to food innovation.

Nielsen’s study found that consumers are motivated by complex flavors combinations that can be difficult to predict. While individual ingredients may not hold much appeal on their own, the potential for a breakthrough grows when they’re paired with other flavors. Simple, one dimensional flavors won’t stand up to more aggressive, unique combinations in the future.

1. **Line extensions focused on aggressive flavors create an opportunity for incremental sales growth.**

   Line extensions that avoid cannibalization of existing product sales, while attracting new customers, are a boon for food manufacturers and restaurants. Based on Nielsen’s research, there is an opportunity for line extensions focused on aggressive or bold flavor combinations that achieve significant incrementality.

2. **Local ingredients may not be what locals really want.**

   It’s a fairly simple and common sense premise: you serve local flavors in local markets. Regions are often defined by cuisines that are indigenous to the area, like lobster in New England or barbeque in Texas. Yet those local flavors aren’t necessarily what consumers in those locations are truly looking for. Many are looking for tastes and flavors borrowed from other regions.

3. **Brands must know what combinations they can own in market.**

   Not all flavor combinations are created equal, at least when offered by different brands. While Nielsen’s study found that consumers want complex flavor combinations, the level of interest varies dramatically based on which brand is introducing the flavor; what work well for one brand may fall short for another.
METHODOLOGY
NIELSEN’S FLAVOR STUDY

While flavor is critical to every food product, flavor and ingredient combinations are especially important for pizza. With pizza, consumers want more options and unique toppings that fall outside the norm. A 2012 Technomic study found 33 percent of diners were “interested in trying pizza with highly innovative toppings.”

Leveraging its evolutionary optimization technology, Nielsen empowered consumers from Boston, Dallas, Los Angeles, Chicago and New York to pick the specialty pizza combinations they wanted to see most.

NIELSEN’S OPTIMIZER TECHNOLOGY

MARKETERS EXPLORE
Nielsen created concepts with a wide range of pizza toppings, sauces and cheeses. More than 2.5 billion combinations emerged.

CONSUMERS OPTIMIZE
Consumers chose the pizza concept they preferred, while evolutionary algorithms converged on the best combinations.

CONSUMERS EVALUATE
Consumers evaluated the optimized pizza concepts against existing specialty pizzas from Domino’s, Pizza Hut and Papa John’s, ranking them.

Tested In-Market Specialty Pizzas
- Honolulu Hawaiian
- Memphis BBQ Chicken
- MeatZZa Feast
- The Meats
- BBQ Chicken Bacon
- Spicy Italian
- Meat Lover’s
- Supreme
- Super Supreme

Nielsen selected dozens of cheeses, sauces, crusts and topping possibilities, producing more than 2.5 billion potential pizza concept combinations. Consumers were invited to choose the ingredients and flavors they most preferred. Evolutionary algorithms leveraged their choices to converge on the best combinations; three optimal specialty pizzas emerged.

The optimized pizzas were tested against in-market specialty pizzas from Domino’s, Papa John’s and Pizza Hut, to see which consumers preferred most in a competitive context.

While the optimized pizza combinations were interesting all by themselves, what also came to light were four key insights that every food marketer and innovator should know moving forward. What follows is an analysis of those trends and how they will impact new product development.
Nielsen’s study produced three unique specialty pizzas that aren’t on the market currently, and that drove significant consumer interest, proving the need for further exploration as potential menu additions. But the study also illustrated how critical flavor combinations are to yielding breakthrough ideas.

The optimal pizza combinations ranged from simple (BBQ chicken and cilantro) to surprising (lobster, prosciutto, sweet Italian sausage and ricotta cheese). Interestingly, a three meat pizza featuring a combination of sweet Italian sausage, buffalo chicken and meatballs, paired with Romano and Mozzarella cheeses and tomato sauce scored high with consumers, outperforming a number of in-market pizzas.

The unusual, optimized combinations struck a chord, illustrating an opportunity to succeed in market. When measured individually, the ingredients in the optimized pizza featuring lobster, prosciutto and sweet Italian sausage weren’t highly preferred among consumers. In fact, none of those ingredients ranked in the top 10 with consumers when considered in isolation. Lobster was in the middle of the pack, ranking 35 on a list of 75 potential toppings.

But when lobster was combined with a salty meat like prosciutto and a spicy Italian sausage, a somewhat surprising yet winning combination of sweet, salty and spicy emerged in consumers’ minds.

**KEY LESSON**

Single ingredients in and of themselves may have limited potential but, when combined with other tastes and flavors, they can be incredibly powerful. Testing flavor combinations with consumers early in the process can yield unique product ideas that differentiate on flavor.
FLAVOR-FOCUSED EXTENSIONS DRIVE GROWTH
CONSUMERS WANT MORE OPTIONS WITH BIGGER FLAVORS

Small companies are consistently launching food products that offer bold or unique flavors to compete with major manufacturers, further fragmenting markets and increasing choice for consumers. For bigger brands, line extensions are the easiest way to quickly compete with small brands, specifically with unique flavors.

Nielsen’s study found that offering an aggressive or bold specialty pizza extension significantly boosts consumer preference without cannibalizing existing sales. In fact, each one of the consumer-optimized specialty pizzas would provide a significant incremental sales boost to the top three pizza chains.

INCREMENTAL GAINS MATTER
Despite having diverse specialty pizza lines, adding one of the optimized pizza combinations to its menu would give each pizza chain an incremental sales boost, without cannibalizing existing product sales.

60% incremental

70% incremental

76% incremental

Domino’s, second in sales behind Pizza Hut, would benefit from offering a “Three Meat” pizza that includes sweet Italian sausage, meatballs and buffalo chicken. If offered, that combination would deliver a 60 percent incremental boost to the benchmarked pizzas included in this study.

Papa John’s, which has a diverse and expansive list of more than 16 specialty pizzas, would benefit from offering a lobster, prosciutto and spicy Italian sausage pizza. If offered, that combination would deliver more than a 70 percent incremental boost to the benchmarked pizzas included in this study.

Pizza Hut, the No. 1 pizza chain in the world, would benefit from offering an optimized BBQ chicken and cilantro pizza, which is currently not an option on its specialty menu. If offered, that combination would deliver a 76 percent incremental boost to the benchmarked pizzas included in this study.

*Performance is expressed as a percent of consumers who would likely buy a given product concept on their next purchase.

KEY LESSON
Food manufacturers and restaurants should evaluate and test aggressive new flavor combinations as line extensions of existing product lines. The manufacturing and marketing benefits allow for a faster launch of products that can quickly win on flavor, while expanding shelf presence and gaining more customers.
LOCALIZATION: OFFER WHAT’S NOT LOCAL?
CONSUMERS LOOKING FOR FLAVORS NOT TYPICALLY AVAILABLE

It seems like common sense for food manufacturers and restaurants to offer products that are indigenous to an area. In Chicago, deep dish pizza is a deep-rooted part of the culture. In Boston, lobster and seafood are always part of the local fare. Texas is known for its legendary barbeque.

This happens throughout the country, but consumers may be looking for more than the “stereotypical” local flavors. A key finding in this study showed that many want tastes and flavors that are more culturally ingrained – and by extension executed incredibly well – in other areas of the country. For example:

• Respondents in Dallas would have a strong preference for the optimized lobster, prosciutto and spicy Italian sausage pizza.

• By contrast, respondents in Boston were very open to an optimized BBQ chicken and cilantro pizza, with that option even outperforming Domino’s in market Memphis BBQ chicken pizza.

• Tortilla strips were ingredients that Boston residents were very open to putting on their pizza, while Texans weren’t interested at all. The same was true with Chorizo sausage, an ingredient commonly incorporated into Texas cuisine, with roots in Mexico. Consumers in Boston ranked it much higher than Texas.

KEY LESSON

To many food manufacturers and restaurants, “local” means offering what’s locally available. Nielsen’s flavor study shows that consumers in Texas and Boston are looking for flavors and tastes that reach beyond a local culture. The optimized lobster pizzas performed well with Texans, while the optimized BBQ chicken pizza was preferred by Bostonians, despite similar available options. Food manufacturers and restaurants should evaluate what tastes and ingredients local consumers truly want most and modify new product offerings accordingly.

Lobsters everywhere, except...

Darden is the world’s largest full-service restaurant company, owning and operating more than 2,100 locations. But you won’t find one of their restaurants – Red Lobster – anywhere along the New England coastline.

With lobster in abundance in New England - 80 percent of the lobsters landed in the US come from MA, ME, NH and RI – the chain simply does not have a presence in that area.

Rather than operate in a location where the product is widely available, Darden has instead opted to go where it’s not as easily accessible, like Texas. More than 30 Red Lobsters are in the Lone Star State.
NOT ALL COMBINATIONS ARE CREATED EQUAL
BRANDS MUST “OWN” A FLAVOR COMBINATION

Every brand has a personality it wants to be known for. Establishing a brand that keeps consumers emotionally connected increases repeat purchases and loyalty. In turn, brands offer products customers associate with it. Nielsen’s study found that, while certain brands could own unique combinations, others couldn’t. Brand is clearly a significant driver of appeal and anticipated taste.

For example, the optimized pizza that consumers preferred most included a mix of sweet Italian sausage, buffalo chicken and meatballs. While popular, the consumer preference scores of this pizza varied dramatically when tied to a specific brand.

MEAT COMBINATIONS AND DOMINO’S GO HAND IN HAND

When consumers were presented with the same “Three Meat” pizza from Domino’s and Papa John’s, Domino’s was 22 percent more popular. This illustrates the power of brand in owning unique combinations.

Domino’s owned the “Three Meat” pizza combination better than any other chain in the minds of consumers, but this combination also outperformed a number of Domino’s’ existing bold specialty pizzas. The “Three Meat” concept outperformed Domino’s Memphis BBQ Chicken pizza by more than 11% and its Honolulu Hawaiian pizza by more than 6% with consumers.

KEY LESSON

The data clearly shows that certain brands have the ability to “own” flavor combinations. Even if food innovators land on a potentially impactful combination of flavors, they must first test to see if it’s something that consumers will gravitate to as part of the overall brand. If it’s not something consumers can easily relate to the brand, they likely won’t adopt it.

Ben & Jerry’s Builds a Brand on Unique Flavors

Ben and Jerry’s is an ice cream brand known for unique flavor combinations. For more than 30 years, the company has seen wild success with “out of the box” flavors. One of it’s most iconic flavors, Cherry Garcia, would be nearly unthinkable coming from another company. A combination of cherry ice cream with cherries and fudge flakes, it was originally launched in 1987. The flavor has consistently been a top seller ever since. In fact, it held the top spot in Ben & Jerry’s ice cream line for more than a decade, until December 2013.
Actions for Marketers

Anticipated taste plays a critical role in food innovation. As consumers continue to demand unique products that give them a taste of something they haven’t experienced before, marketers can increase trial for new food products by optimizing their ‘anticipated taste’ early in the development lifecycle. If food manufacturers and restaurants expand the methods and tactics they use to identify bold, innovative flavor combinations, breakthrough ideas and more bottom line revenue will follow.

Differentiating on flavor has never been more important, and will be a key competitive advantage in the coming years.

Key Takeaways

Flavor combinations are critical to anticipated taste: Nielsen’s study found that consumers want complex flavor combinations that include unique ingredients—so much so that they’re willing to accept “outlier” ingredients like lobster when paired with other flavors that complement them. The key takeaway is that individual ingredients may not hold much appeal on their own but, when paired with another flavor, the potential for a breakthrough grows. In other words, no flavor or ingredient should be discounted. Food manufacturers and restaurants should actively explore and test as many combinations of flavors as possible to find the ones that consumers are gravitating toward. This will ensure that only products consumers want are being developed further and will achieve the desired sales results.

“Aggressive” extensions can yield tremendous results: Product extensions provide the best and fastest opportunity for bigger food manufacturers and restaurants to differentiate with bold, unique flavor combinations, simultaneously fending off competition from smaller players.

Differentiating on flavor with extensions provides tremendous incremental benefits, boosting sales without cannibalizing the existing products in a line. Marketers should actively look for opportunities to test and evaluate new flavor combinations within their own product portfolios, to boost sales and keep pace with consumer demand.

Consider local in a different way: It’s important to appreciate local tastes, but also to consider how “local” can be viewed differently. Many food manufacturers and restaurants are tempted to offer flavors and ingredient combinations based only on what’s “local” to a region, but testing for what isn’t local could uncover opportunities as well. Because local consumers sometimes crave products that are not indigenous to an area, food manufacturers and restaurants can test to see which combinations of flavors or ingredients consumers want to see introduced.

Brand impact must be measured: For every unique flavor combination, there’s a brand that consumers will “believe” it is coming from. Domino’s had the ability to own a certain combination of flavors in a specialty pizza better than its competitors. The lesson for food innovators is that testing to determine the overall brand impact on a potential new flavor combination is a crucial step that cannot be overlooked.
ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

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