INNOVATION OR RENOVATION: WHAT REALLY FUELS GROWTH?

GOING AFTER GROWTH

Markets reward growth, but high growth isn’t always easy to attain. The good news, however, is that growth can be quite the virtuous cycle. Brands that outgrow their categories get noticed and tend to attract more investments. And growing brands are often seen as vibrant and contemporary, and in many ways, this is what fuels future growth.

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It's common knowledge that marketers are in the business of growing their brands by generating consumer demand for them. It's also no secret that marketers can generate stronger demand if consumers view their brands as fresh, relevant and vibrant. To do this, marketers have long relied on innovation or renovation. While innovation involves introducing new variants or lines in the market, renovation involves re-staging or re-launching a brand. The classic marketer’s dilemma, therefore, involves balancing the time and energy they spend on brand renovation and brand innovation.
Innovation tends to be the most glamorous part of a brand manager’s role. Yet, innovating in India is far from easy. There are about 14,500 new products launched annually in India in the fast-moving consumer goods (FMCG) area alone, and very few of them garner breakthrough results. In fact, Nielsen’s Breakthrough Innovation Report for the Indian market found that only 0.2 percent of new launches achieve breakthrough success. And success doesn’t come much easier for the larger FMCG players where the breakthrough success hit rate is no higher than 1 in 20.

Said simply, innovation is necessary, difficult, and unlikely to consistently yield favourable outcomes. Innovation is not, however, a do or die proposition. That’s because many large FMCG players derive less than 5 percent of their business from recently launched products. Innovations matter to financial success, but a company’s base business is what really matters.

Renovations come in many shapes and sizes. They can involve re-positioning a brand, re-staging a product’s pricing and changing a product’s formulation. Generally, the objective is to refresh your core, evolve your brand and keep it contemporary. Typically, there’s more at stake for a brand when a renovation is underway than when an innovation is being launched. That’s because you’re rolling the dice with an established brand. They also require an in-depth understanding of your current consumer base, their motivations and an honest assessment of what your brand can and can’t do.
RENOVATION OR INNOVATION: WHAT WORKS IN INDIA?

To get a sense of which strategy has worked best recently in India, we looked at 25 recent renovations and 25 recent innovations across shampoos, skin creams and toilet soaps. We then tracked the performance of the parent brand one year out to gauge the overall impact on the complete franchise. In this limited analysis, renovations provided better results in the medium term.

Twelve months out, renovation-focused brands grew more than innovation-focused ones (20% vs. 16% median value growth). The brands that took a renovation approach also tended to have better in-store sales (10% vs. 5% per dealer sales offtake growth). There was no inherent advantage, however, in a renovation versus innovation strategy when it came to achieving better distribution (as measured by weighted distribution). So overall, within a one year horizon, renovations tended to have a far greater impact on sales at the parent brand level than innovations did for the three categories we studied.

So the takeaway for marketers is that innovation is not the only growth engine. And the key to activating a renovation strategy involves thinking about how you can update your core brand and make it relevant to the changing needs of your consumer base. Recent relaunches by Dove and Cinthol in the shampoo and toilet soaps categories respectively, are good examples of how these brands turned to renovation to invigorate and contemporize the brand.

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RECENT EXAMPLES OF RELAUNCHES

DOVE SHAMPOO

CINTHOL
THE FOUR TRAITS OF WINNING RENOVATIONS:

So what are the key principles that govern successful renovation?

Here are four traits of successful renovations:

- **They don't alienate current brand buyers:** Repeat buyers of your current franchise are there for a reason: they like what you offer today. Winning renovations ensure that the franchise retains this buyer base and looks to address gaps that would boost current buyer acceptance.

- **They recruit new consumers to the brand and sometimes to the category:** Renovations provide a fantastic opportunity to make your brand relevant to a totally new set of consumers thereby even expanding the category at times. Why not use the relaunch to attract more profitable consumers?

- **They limit consumer confusion during the switchover:** Renovations call for operational swiftness, especially when a re-launch entails a packaging or product reformulation. In fragmented markets like India, having a new and old version of a product in the same market or store can confuse consumers. It can also cause consumers to opt for a competing product. So in that way, retailers should replenish products as quickly as possible so that buyers know what to pick up if they don’t see their familiar product.

- **They create new platforms for future innovation:** Restaging your brand should make future innovation easier. New launches that ride on a more relevant core brand will generally stand a better shot at succeeding than those backed by a stagnating brand. Net, successful re-launches excite consumers and pave the way for future breakthrough innovations.

HAPPY CO-EXISTENCE

When faced with a choice to renovate or innovate, pick both. Innovation can help attract new buyers and new usage occasions. It also tends to be the more attractive option for a blue-eyed brand manager. But don’t neglect the other side of the coin. Renovating your brand periodically helps you protect your core and build sustainable platforms for future innovation and growth. Successful innovation and renovation both require a visceral understanding of the consumer and a clear evaluation of their unmet needs. Consumers connect with brands that are fresh and relevant to them – marketers in India looking for growth need both innovation and renovation in their armoury to stand out.
SUCCESSFUL INNOVATION AND RENOVATION BOTH REQUIRE A VISCERAL UNDERSTANDING OF THE CONSUMER AND A CLEAR EVALUATION OF THEIR UNMET NEEDS.

THE NIELSEN QUALITATIVE VIEW

BY: GOKUL KUBENDIRAN & ANGARAK BANDYOPADHYAY

• While innovation remains a buzzword across categories with marketers trying to experiment with new ideas hoping to break newer frontiers, it’s often seen as a long-term investment. In cluttered categories, identifying distinct white spaces is not easy. However, the excitement that it offers is unparalleled.

• Brand renovation pertains to the client’s core business and involves leveraging the equity of the brand in terms of its familiarity, nostalgia and reassurance of the original in its revamped avatar. It’s an intriguing challenge since it would involve packaging the familiar with a refreshing charm of the unfamiliar. For the inflation and time-strapped consumer, renovation offers the reassurance of products she is used to, mitigating the fear of having to spend on something new.

• For brands that play in the mass market, brand renovation at certain intervals is a must so that they enjoy contemporary relevance to the consumer.

• Therefore, both renovation and innovation help brands stay relevant as consumer needs evolve with time.
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