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PACKAGING SELLS

**CHOOSING THE RIGHT DESIGN DIRECTION CAN INCREASE
FORECASTED PRODUCT SALES BY 5.5%**

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Choosing the Right Design Direction Can Increase Forecasted Product Sales by 5.5%

Packaging is a key element of winning at the first moment of truth: the point of sale. Like advertising, packaging not only puts forward the benefits of the product and builds equity but, when done well, it should also directly drive consumer purchase. However, unlike advertising whose impact requires continuous spending, design grows sales for much longer periods of time without additional investment.

Recently, Nielsen reaffirmed the power of package design to drive sales by examining the expected impact of its Design Navigator solution.

Nielsen examined the results of 93 Design Navigator initiatives conducted between 2013 - 2014 that evaluated at least three design concepts. The analysis compared the difference in visibility, share of

attention and consumer preference between in-market design concepts and the top-performing design concepts identified by Design Navigator. Using BASES' forecasting model and its packaging and restage databases, Nielsen estimated the average volumetric impact of packaging based on design metric improvements.

KEY FINDINGS

The table below presents the average results of top-performing design concepts based on balanced criteria.

What are “best balanced” designs?

Ultimately, brands choose one design direction to refine and take to market. Depending on the brand's specific goals, a decision-maker may put more weight on either consumer preference or standout performance when selecting a design route—but we assume that, in most cases, these metrics are given equal weight.¹ As a result, our analysis focuses on the “best balanced designs” when both metrics are considered. The table below shows the average estimated volume impact for these design concepts, calculated using the industry's most sophisticated forecasting platform.

LIFT VS. CURRENT DESIGN

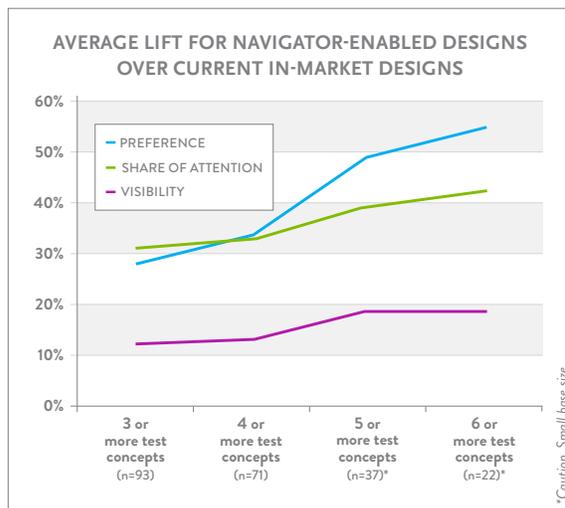
	BEST BALANCED DESIGNS
PREFERENCE	+29%
VISIBILITY (within first 4 seconds of looking)	+13%
SHARE OF ATTENTION (within first 7 seconds of looking)	+31%
AVERAGE FORECASTED SALES IMPACT	+5.5%

¹Selecting the best design is a decision that depends on a marketer's specific objectives and retail dynamics. For simplicity, the “best balanced design” from each initiative was determined by giving equal weight to consumer preference (50%) and a combined standout score based on visibility (25%) and share of attention (25%).

DESIGN CONCEPTS IDENTIFIED USING DESIGN NAVIGATOR SHOWED:

- **An increase in forecasted sales.** Best balanced designs showed significant improvements across all three measured dimensions of package design performance, resulting in a +5.5% average forecasted improvement in sales volume over the current designs.²
- **An increase in consumer preference.** Best balanced designs were preferred over competitive offerings by 29% more consumers than the current in-market designs.
- **An increase in visibility.** Best balanced designs were seen by 13% more consumers in the first 4 seconds of exposure than the current in-market designs.
- **An increase in share of attention.** Best balanced designs showed a 31% lift in share of consumer attention during the first seven seconds of exposure relative to the current in-market designs.
- **A strong pre-validation success rate.** In 86% of the initiatives analyzed, at least one design concept demonstrated improvements across all three measured dimensions. This outcome is dramatically better than results reported from traditional subjective approaches where approximately only 50% of initiatives demonstrate a similar improvement.

- **An increased payoff for testing more concepts.** The more alternatives tested, the better the results. The below outcomes, based on 93 initiative where three or more design alternatives were tested, show progressive increases across all measured dimensions. Importantly, this demonstrates that enabling more creative freedom drives higher returns.



CALCULATED RETURN ON INVESTMENT

(Based on the forecasted sales lift from design changes)

To some, these forecasted sales numbers may seem small but, considering the relative speed, ease and cost of making a package design change, the return on investment is far greater than that of advertising and promotion. And, as mentioned before, the gain is long-lasting. To demonstrate this, let's model the ROI of a package design change assuming some standard costs and the use of Design Navigator to expand creative exploration and identify top design directions early in the creative process.

	SCENARIO 1 MAJOR BRAND	SCENARIO 2 SMALL BRAND
Baseline brand revenue with current design*	\$50,000,000	\$15,000,000
Revenue forecast from a redesign supported by Design Navigator (assuming a 5.5% sales lift)	\$52,750,000	\$15,825,000
Incremental revenue generated in year 1	\$2,750,000	\$825,000
Design plus implementation / transition costs	\$300,000	\$300,000
Average Design Navigator cost (may vary from \$34k - \$93k depending on creative range tested)	\$46,000	\$46,000
Approximate payback period	less than 2 months	about 5 months
Incremental revenue earned over 5 years	\$13,750,000	\$4,125,000
5-year ROI	40X (the design change yields \$40 in revenue for every dollar spent)	12X (the design change yields \$12 in revenue for every dollar spent)

*Revenue here is meant to represent revenue realized by the brand, not the retailer.

²In-market volume changes will vary depending on other factors such as distribution level, media activity, category purchasing dynamics, product performance and brand size.

ABOUT NIELSEN DESIGN NAVIGATOR

Nielsen Design Navigator allows brands and their creative teams to evaluate more package design concepts objectively, much earlier in the development process. By empowering broad creative exploration and removing subjective decision-making, Design Navigator helps brands identify better designs – faster and more efficiently than ever before.

Learn more by visiting, www.nielsen.com/design.

CONNECTING DESIGN IMPROVEMENTS TO SALES DATA

How did we translate preference and standout improvements to forecasted sales volume increases? In 2012, Nielsen participated in a joint R&D effort with package design validation leader, PRS. The goal was to better understand the relationship between PRS measures for purchase intent, shelf visibility and in-market performance. The R&D effort drew on 300 initiatives that were supported by both Nielsen (forecasting) and PRS (pack design validation).

By comparing PRS package assessment metrics and in-market scanner data, Nielsen was able to calibrate the BASES' forecasting model to improve accuracy for volumetric estimates based on package design changes. In our validation of Design Navigator, we substituted equivalent metrics for preference and standout in the model to evaluate the expected sales lift for a Navigator-enabled design exploration.

CAVEATS

The sales forecast data in this report reflects the average impact of the Design Navigator initiatives analyzed. Client results will vary and can be incrementally influenced by factors not included in this analysis such as distribution and marketing support. Additionally, the potential for a sales increase is impacted by brand size; while the average lift in volume may be 5.5%, a small brand may possess more growth potential.

Note: Volume forecasting was conducted for the purpose of detailing Design Navigator's potential impact on revenue. It is not a standard or optional feature of a Design Navigator, as Design Navigator is applied early in the creative process to enable broader exploration and objective assessment by the target market. In practice, a forecast isn't appropriate at this stage.



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