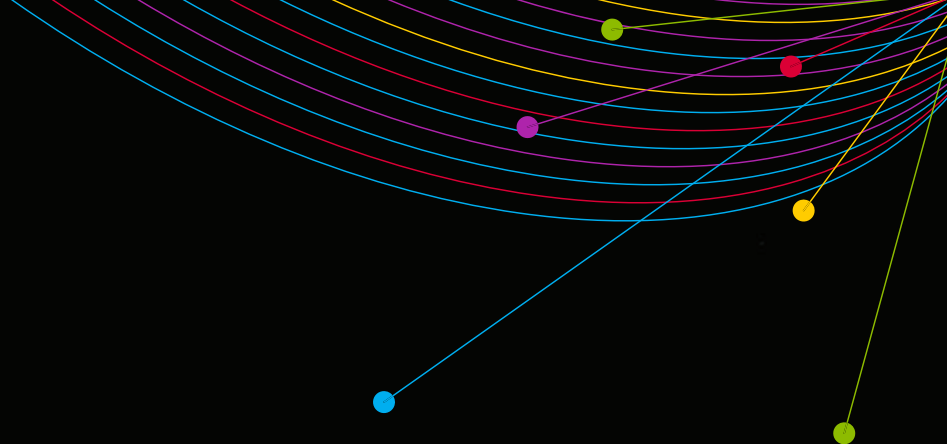




LOOKING TO ACHIEVE NEW PRODUCT SUCCESS?

LISTEN TO YOUR CONSUMERS

JUNE 2015

nielsen
.....

AN UNCOMMON SENSE
OF THE CONSUMER™



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INNOVATION LEADS TO PROFITABILITY, BUT SUCCESS IS NOT EASY

AROUND THE WORLD



- Almost two-thirds (63%) say they like it when manufacturers introduce new products, and more than half (57%) say they purchased a new product during their last shopping trip.
- Consumers want more new products on the market that are affordable, healthy, convenient and environmentally friendly.
- The drivers of new product purchasing, include affordability, convenience, brand recognition and novelty.
- Respondents in developing markets say they are more inclined to try new products, and they lead the way in self-reported new product purchasing.
- Earned media sources are growing in importance for new product information gathering, but reliance on traditional sources is still strong.
- Social media's sphere of influence shows tremendous growth since 2012.
- Millennials and Generation Z respondents say they use several traditional advertising sources at comparable—or even greater—levels than older generations.

Innovation matters. It can drive profitability and growth, helping companies succeed even during tough economic times. Nielsen's Breakthrough Innovation research found that the top innovations launched in the U.S. generate more than \$50 million revenue their first year; in fact, the 2015 winners generated, on average, more than twice this amount, \$119 million. In Europe, the top innovations produce upwards of £/€10 million in their launch year. Innovation also helps companies stay relevant to shoppers, and it can build long-term loyalty.

Consumers have a strong appetite for innovation. They're increasingly demanding and expect more choice than ever before. Around the world, more than six-in-10 respondents (63%) say they like when manufacturers offer new products, and more than half (57%) say they purchased a new product during their last grocery-shopping trip.

But success can be hard to come by. Brand competition is intense and shelves are crowded. In Western Europe, 12,000 innovations were launched in four markets across 17 product categories between 2011 and 2013.¹ In the U.S., there have been more than 20,000 launches since 2008. And innovation isn't just happening in developed markets. In India, there were more than 10,500 new launches in the FMCG sector in 2014. Competition isn't the only hurdle. Manufacturers must also contend with growing media fragmentation, evolving retail distribution channels and tightening budgets, among other obstacles. As a result, the vast majority of new product introductions are taken out of distribution before the end of their launch year. Of over 60,000 new SKUs introduced in Europe over the last years, just over half (55%) made it to 26 weeks, and only 24% lived to reach a full year.

"New product failure rates are extremely high, but success is no fluke," said Johan Sjöstrand, senior vice president and managing director of Nielsen Innovation in Europe. "Success is not simply the result of luck or even genius. Rather, successful product launches are the culmination of organizational focus and commitment to product development, creative marketing, smart leadership and, above all else, an in-depth understanding of what drives consumer preferences."

The Nielsen Global New Product Innovation Survey polled 30,000 online respondents in 60 countries to understand consumer attitudes and sentiments about the drivers behind new product purchase intent. It's important to note that in the eyes of the consumer, not every product that's new to them is new to the market. As such, for the purposes of this study, we define a new product as any item a consumer has never purchased in the past. We uncover the reasons for making a new product purchase, discover the types of products consumers want but can't find and detail the sources consumers use to learn about them. Finally, we provide insights into white-space opportunities with the greatest potential, and we identify strategies for increasing the odds of success.

ABOUT THE GLOBAL SURVEY METHODOLOGY

The findings in this survey are based on respondents with online access in 60 countries. While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations. In developing markets where online penetration is still growing, audiences may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data.

¹The analysis included 61,644 new SKUs from 17 categories in France, UK, Italy and Spain.

PART 1

THE DRIVERS AND
GAPS BEHIND
NEW PRODUCT
PURCHASES

THE DRIVERS AND GAPS BEHIND NEW PRODUCT PURCHASES

Why do consumers choose one product over another? What needs/ desires drive new product purchasing, and which product attributes are most compelling for consumers in their path to purchase?

While new product selection depends on many things, such as life stage, family dynamics and personal choice, important macro trends emerged from the study. These insights reveal the critical why behind the buy. They also provide a roadmap to what consumers say they are buying now and, importantly, what they wish they could buy if it were available.

It's important to note that consumers' reasons for purchasing aren't always in alignment with what they say they want. In certain cases where we were able to align a particular reason cited for purchase with a product attribute people expressed interest in, there was a gap between the two that suggests that existing offerings are not currently fulfilling some needs. These areas present strong product-development opportunities.

TOP NEW PRODUCT PURCHASE DRIVERS

AFFORDABILITY
CONVENIENCE
BRAND RECOGNITION
NOVELTY



TOP NEW PRODUCT NEEDS/DESIRES

AFFORDABILITY
HEALTH & WELLNESS
CONVENIENCE
ENVIRONMENTALLY FRIENDLY

On the following pages, we explore these attributes in more detail, identifying white space opportunities for new-product development efforts and regional preference differences that provide insights to help drive effective execution strategies.

WHY WE BUY

GLOBAL AVERAGE—REASONS FOR LAST NEW PRODUCT PURCHASE



AFFORDABILITY

IT IS MORE AFFORDABLE THAN WHAT I USUALLY USE	23%
---	-----

CONVENIENCE AND EASE



IT IS CONVENIENT	22%
IT MAKES LIFE EASIER	19%
IT IS TAILORED TO A VERY SPECIFIC NEED	15%
IT ALLOWS ME TO BUY ONE PRODUCT INSTEAD OF SEVERAL	10%

BRAND POWER



IT IS FROM A BRAND THAT I LIKE	21%
IT IS FROM A WELL-KNOWN/POPULAR BRAND	15%
IT IS FROM A BRAND WITH HERITAGE (HAVE KNOWN FOR A WHILE)	10%
IT IS FROM AN EXPERT IN THIS TYPE OF PRODUCTS	8%

NOVELTY AND VISIBILITY



IT WAS NEW	20%
SAW IT EVERYWHERE	11%
IT HAS GREAT PACKAGING	10%

FAMILY FRIENDLY



IT IS SUITABLE FOR THE WHOLE FAMILY	19%
IT BRINGS MY FAMILY TOGETHER	8%

PREMIUMIZATION



IT IS WORTH PAYING MORE FOR	18%
IT IS BETTER THAN SIMILAR PRODUCTS	17%
IT ALLOWS ME TO INDULGE MYSELF	14%
IT IS THE BEST PRODUCT IN THE CATEGORY	12%
IT IS FROM A PREMIUM BRAND	11%

SELF-EXPRESSION



IT IMPROVES MY MOOD	16%
IT ALLOWS ME TO EXPRESS MYSELF	8%

ENVIRONMENTALLY/SOCIALLY RESPONSIBLE



IT IS FROM A BRAND THAT CARES FOR THE ENVIRONMENT	10%
IT IS FROM A BRAND THAT CARES ABOUT SOCIETY	7%

Source: Nielsen Global New Product Innovation Survey, Q1 2015

WHAT WE WANT

GLOBAL AVERAGE—NEW PRODUCTS THAT CONSUMERS WISH WERE ON THE MARKET BUT ARE NOT

**AFFORDABILITY**

AT AFFORDABLE PRICES

43%

**HEALTH AND WELLNESS**

FITTING A HEALTHY LIFESTYLE

29%

MADE OF NATURAL INGREDIENTS

28%

**CONVENIENCE AND EASE**

MAKES LIFE EASIER

27%

CONVENIENT TO USE

26%

**ENVIRONMENTALLY/SOCIALLY RESPONSIBLE**

CARE FOR THE ENVIRONMENT

26%

CARE ABOUT SOCIETY

16%

**CATEGORY SPECIFIC**

FOOD PRODUCTS

21%

PERSONAL CARE PRODUCTS

17%

HOUSEHOLD CARE PRODUCTS

15%

BEVERAGE PRODUCTS

13%

PET PRODUCTS

10%

BABY PRODUCTS

9%

**HOUSEHOLD COMPOSITION**

FOR FAMILIES

21%

FOR SMALL HOUSEHOLDS

18%

**NEED SPECIFIC**

TAILORED TO A SPECIFIC NEED

19%

**PREMIUMIZATION**

PREMIUM PRODUCTS

18%

**SELF EXPRESSION**

HELP ME EXPRESS MYSELF

9%

Source: Nielsen Global New Product Innovation Survey, Q1 2015

GET THE PRICE RIGHT

Economists may have officially declared the end of the Great Recession nearly six years ago, but times are still tough for consumers around the world. In fact, more than three-quarters in Latin America (78%), two-thirds in Europe and Africa/Middle East (68%) and half in North America (50%) still believe they are in a recession. And these pervading recessionary sentiments may create a barrier to new product trial, as more than four-in-10 global respondents (42%) say economic conditions and recent world events make them less likely to try new products.

Globally, affordability tops consumers' list of reasons for purchasing a new product, but there are regional differences in the order of importance placed on this attribute. In Asia-Pacific, affordability is the third most important reason for purchasing a new product, behind value and convenience. North Americans place affordability second on their list, behind novelty and tied-with brand recognition. In Latin America, affordability is just slightly behind brand recognition as the reason for making a new product purchase.

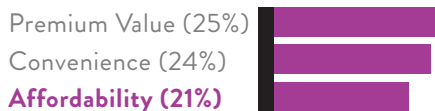
When it comes to the new products consumers wish were available but are not currently, products at affordable prices are the most desired in all regions—by a wide margin. Forty-three percent of global respondents say they wish more affordable products were available, 14 percentage points above the next-highest attribute. North America showed the biggest differential between the top two desired product attributes—20 percentage points between wanting products at affordable prices (44%) and wanting new food products (24%). Similarly, Latin America showed a 19-point difference between affordable products (60%) and the second and third-most desired product types, environmentally friendly and those made with natural ingredients (41% each).

"CONSUMERS NEED TO STRETCH THEIR MONEY AS FAR AS POSSIBLE, AND THEY'RE LOOKING FOR PRODUCTS THAT STAY WITHIN A BUDGET," SAID ROB WENGEL, SENIOR VICE PRESIDENT AND MANAGING DIRECTOR OF NIELSEN INNOVATION IN THE U.S. "SAVVY MANUFACTURERS ARE THOSE WHO DON'T JUST SELL THEIR PRODUCTS AT LOWER PRICES OR ON PROMOTION, RATHER THEY BUILD COST-CUTTING INTO THE PRODUCT DEVELOPMENT AND DESIGN PROCESS. COST-DRIVEN INNOVATION REQUIRES LETTING GO OF TRADITIONAL ASSUMPTIONS, AND IT STARTS WITH UNDERSTANDING WHAT TRADEOFFS CONSUMERS WILL MAKE WHEN THEY CAN'T AFFORD A PRODUCT."

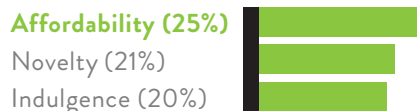
AFFORDABILITY IS A TOP REASON FOR BUYING A NEW PRODUCT



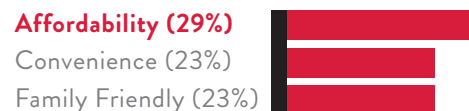
ASIA-PACIFIC



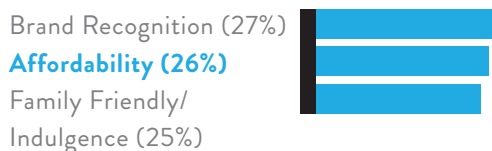
EUROPE



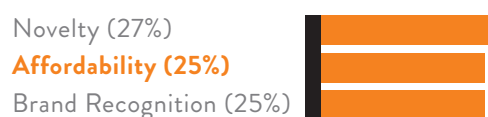
AFRICA/ MIDDLE EAST



LATIN AMERICA



NORTH AMERICA



CONSUMERS WANT MORE AFFORDABLE PRODUCTS

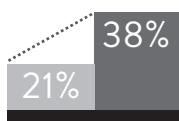
THE GAP BETWEEN BUYING AND WANTING AFFORDABLE PRODUCTS IS WIDE

● AFFORDABILITY WAS REASON FOR BUYING PRODUCTS

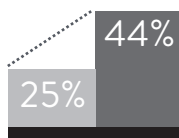
● WISH THERE WERE MORE AFFORDABLE PRODUCTS



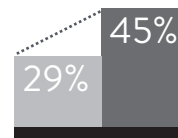
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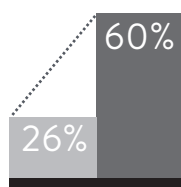
EUROPE



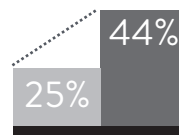
AFRICA/ MIDDLE EAST



LATIN AMERICA



NORTH AMERICA



Source: Nielsen Global New Product Innovation Survey, Q1 2015

MAKE IT CONVENIENT

Time pressures and stress are facts of life. Shoppers want products that help restore balance and free up time to do the things they value most. More than one-fifth of global respondents (22%) say they purchased a new product because it was convenient, and slightly fewer (19%) say they purchased it because it made their life easier. Consumers' desire for these kinds of products is even higher. More than one-quarter of global respondents say they wish more products were available that make their life easier (27%) and are convenient to use (26%).

While convenience-motivated purchasing is rated high in all regions, shopper sentiment differs in regard to the order of importance in certain regions. In Latin America, for example, respondents list convenience after branded, affordable, indulgent and family-friendly products, while in Europe, products that offer affordability, novelty, indulgence and brand recognition are more important than convenience.

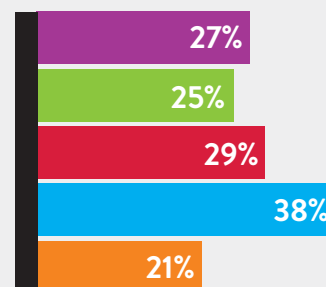
Convenience-driven innovation could entail any number of solutions that make life a little easier or more efficient. For example, Nielsen's 2015 U.S. Breakthrough Innovation winner, Tidy Cats LightWeight, proves the point. The weight of cat litter posed a challenge for cat owners, from getting it off shelves to pouring it into the litter box. Tidy Cat's LightWeight line offered the strength of the original product with half the weight. Convenience-driven innovation can also make tasks quicker or more efficient. Products that combine multiple benefits in one product not only eliminate steps in the process but can potentially be viewed as more affordable as well. One of Nielsen's 2014 European Breakthrough Innovation winners, Ariel 3-in-1 pods, revolutionized the laundry category by combining multiple products (detergent, stain remover and brightener) in a single product that offered outstanding performance and complete simplicity. Other timesaving products such as seasoning mixes, pre-sliced vegetables and prepared meals can drastically reduce or even eliminate meal prep time.

CONVENIENCE AND EASE ARE GLOBALLY APPEALING

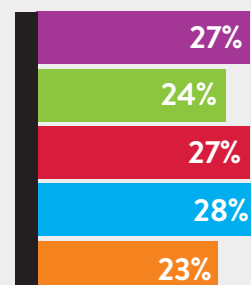
PERCENTAGE SAYING THEY WISH MORE CONVENIENT PRODUCTS WERE AVAILABLE ON THE MARKET

- ASIA-PACIFIC
- EUROPE
- AFRICA/MIDDLE EAST
- LATIN AMERICA
- NORTH AMERICA

MAKES LIFE EASIER



CONVENIENT TO USE



Source: Nielsen Global New Product Innovation Survey, Q1 2015

MAKE IT HEALTHY

The world is facing a global health crisis—nearly 30% of the global population was considered overweight or obese in 2013—and consumers are attempting to take charge of their health. Nearly half (49%) of global respondents in Nielsen’s recent Global Health & Wellness Survey consider themselves overweight, and a similar percentage (50%) is actively trying to lose weight. And they’re looking for help from food and beverage manufacturers to make healthier choices.

On the list of new products consumers can’t find in stores but wish they could, healthy options are second behind affordability in all regions but one. North America was the only outlier; in this region, products made from natural ingredients and those fitting a healthy lifestyle are listed after affordability, new food and convenience-based products.

“The healthy eating space holds great potential, but manufacturers looking to establish or expand their presence in this area should start by looking at what they can remove from foods rather than what they can add,” said Sjöstrand. “Consumers want to go ‘back-to-basics’ with fresh, natural and minimally-processed options.”

Indeed, more than four-in-10 respondents in Nielsen’s recent Global Health & Wellness Survey, said all natural ingredients, the absence of genetically modified organisms, the absence of artificial colors and flavors, and foods made from vegetables/fruits are very important in their purchase decisions. These are the attributes, along with organics, that consumers are also most willing to pay a premium for.

“STATED SIMPLY, MANUFACTURERS NEED TO MAKE IT EASY FOR CONSUMERS TO EAT HEALTHIER,” SAID SJÖSTRAND. “CONSUMPTION HABITS ARE CHANGING FOR TIME-CRUNCHED CONSUMERS WHO INCREASINGLY FORGO THE TRADITIONAL THREE MEALS A DAY AND EAT WHEN IT BEST FITS THEIR SCHEDULE, WHICH IS OFTEN ON THE GO. BUT FOR MANY CONSUMERS, IT’S NOT ENOUGH TO BE CONVENIENT, PRODUCTS MUST ALSO BE HEALTHY AND NUTRITIOUS.”

Nielsen’s Breakthrough Innovation research provides examples of how manufacturers can win by catering to consumers’ need for quick, healthy options. In Europe, Sodebo identified an unmet need for active consumers who want a healthy lunch without compromising on quality and pleasure, and it filled this gap with Salade & Compagnie, a range of healthy, gourmet salads that are both convenient and tasty. The launch generated sales that doubled Sodebo’s original estimates and played a key role in the packaged-salad market’s 60% growth. In the

U.S., Mondelez capitalized on a widely recognized need for nutritious, convenient breakfast options by offering something unique: a sustained energy benefit. The company's Nabisco belVita Breakfast Biscuits, which were adapted for the U.S. market following success in Europe, generated year-one sales in excess of \$70 million and achieved more than 50% growth in year two.

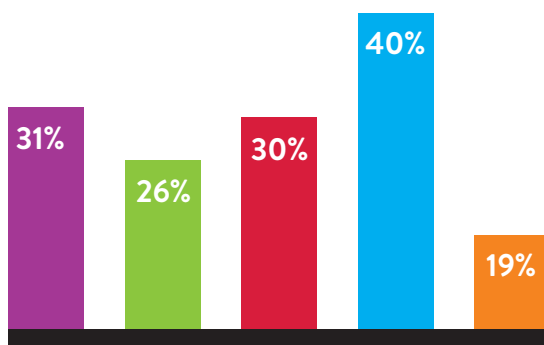
Healthy eating isn't just an opportunity for new products. Existing products and brands can also capture market share and sales growth by reinventing themselves as healthy, especially in crowded, undifferentiated spaces. For example, when Oberto, a family-owned beef jerky company with a 95-year history, repositioned their brand as all-natural and healthy, they were able to attract consumers with an active lifestyle who were concerned about their health. The resulting repositioning helped Oberto increase sales by double digits and gain share on larger competitors with much larger advertising budgets.

CONSUMERS ARE LOOKING FOR HEALTHY PRODUCTS, BUT CAN'T FIND THEM

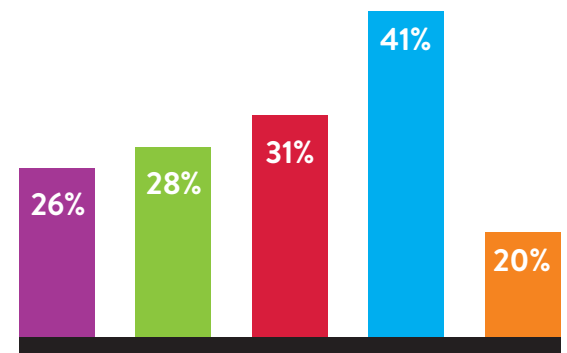
PERCENTAGE SAYING THEY WISH MORE HEALTHY/NATURAL INGREDIENT PRODUCTS WERE AVAILABLE ON THE MARKET

● ASIA-PACIFIC ● EUROPE ● AFRICA/MIDDLE EAST ● LATIN AMERICA ● NORTH AMERICA

PRODUCTS FITTING A HEALTHY LIFESTYLE



PRODUCTS MADE OF NATURAL INGREDIENTS



Source: Nielsen Global New Product Innovation Survey, Q1 2015

LEVERAGE BRAND POWER BY STARTING AT THE FINISH LINE

A brand name can be one of the most valuable assets a company possesses. It can lend credibility to product efficacy and provide an assurance of quality, letting consumers know what they can expect when they buy a product. But brand building can be costly and time-consuming, so the ability to grow via line extensions can be extremely advantageous. Line extensions are approximately three to four times more common than “new manufacturer” and “new brand” launches combined.

For consumers, line extensions create confidence in a new product’s ability to deliver against promises. Nearly six-in-10 global respondents (59%) prefer to buy new products from brands familiar to them, and 21% say they have purchased a new product because it was from a brand they like. In North America and Latin America, the value placed on brand recognition is the highest of all regions. It tops the list of reasons for purchasing a new product in Latin America and, along with affordability, was the second-most important reason (after novelty) in North America.

Brand recognition is particularly influential in developing markets. On average, more than two-thirds of developing-market respondents (68%) say they prefer to buy new products from brands that are familiar to them, compared with 57% in developed markets. In addition, more than one-fifth of developing-market respondents (22%) say they purchased a new product because it was from a brand they like, compared with 17% in developed markets.

“BRANDS CAN SIGNIFY QUALITY AND INSPIRE CONFIDENCE,” SAID WENGEL. “FOR A CONSUMER WITH LIMITED DISPOSABLE INCOME, THE POTENTIAL LOSS FROM AN UNDERPERFORMING PRODUCT IS MAGNIFIED. AS A RESULT, THEY’RE OFTEN HESITANT TO TAKE A RISK ON A PRODUCT THAT MIGHT NOT LIVE UP TO EXPECTATIONS, AND ARE SOMETIMES EVEN WILLING TO PAY MORE FOR BRANDS THEY TRUST. FOR NEW PRODUCTS LAUNCHED WITHOUT THE BENEFIT OF A STRONG BRAND NAME, EXTRA CARE MUST BE TAKEN TO PROVIDE STRONG ASSURANCE THAT THE PRODUCT WILL BE PERCEIVED AS A GOOD VALUE FOR THE MONEY.”

While a brand extension can provide a strong foundation for success, it doesn't guarantee it. In fact, a line extension not managed well could actually harm the parent brand. To protect a brand's reputation, a line extension should clearly link with the core product while also offering consistency, uniqueness and relevance in the market. Line extensions with little differentiation could lead to cannibalization. Likewise, if a line extension varies too dramatically from the parent, it can dilute sales.

So just as a line extension can improve the chances for new product success, the right products can also enhance the core brand's strength. Ideally, a line extension strengthens the parent brand by addressing one of its weaknesses. To develop a successful innovation, manufacturers need to take an in-depth review of brand performance to understand how well they're meeting consumers' needs. By addressing the areas that fall short, there is an opportunity to strengthen the brand as a whole.

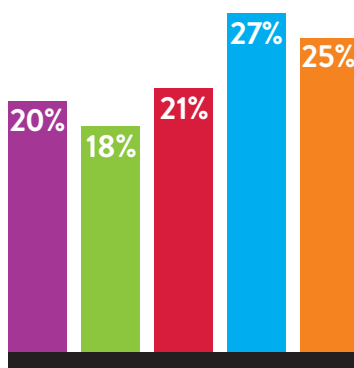
In France, Mondelēz transformed the biscuit category by leveraging the equities of two brands in its portfolio. Recognizing an opportunity to raise consumers' expectations about chocolate biscuits, Mondelēz developed Choco Supreme, which incorporated the baking credentials of LU Biscuits with the chocolate superiority of Milka. The results were remarkable, with year one and two sales around €15 million and incremental category revenues of about 40%.

A STRONG BRAND NAME CAN BE A POWERFUL ALLY IN NEW PRODUCT LAUNCHES

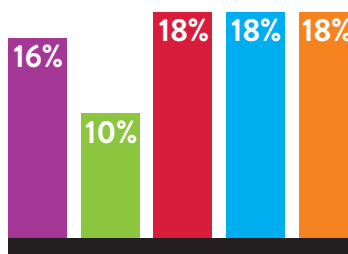
PERCENTAGE SAYING A BRAND ATTRIBUTE WAS THE REASON FOR MAKING A PURCHASE

● ASIA-PACIFIC ● EUROPE ● AFRICA/MIDDLE EAST ● LATIN AMERICA ● NORTH AMERICA

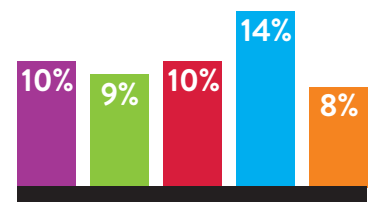
IT IS FROM A BRAND I LIKE



IT IS FROM A WELL-KNOWN/POPULAR BRAND



IT IS FROM A BRAND WITH HERITAGE



Source: Nielsen Global New Product Innovation Survey, Q1 2015



MAKE IT GREEN AND EASY TO FIND

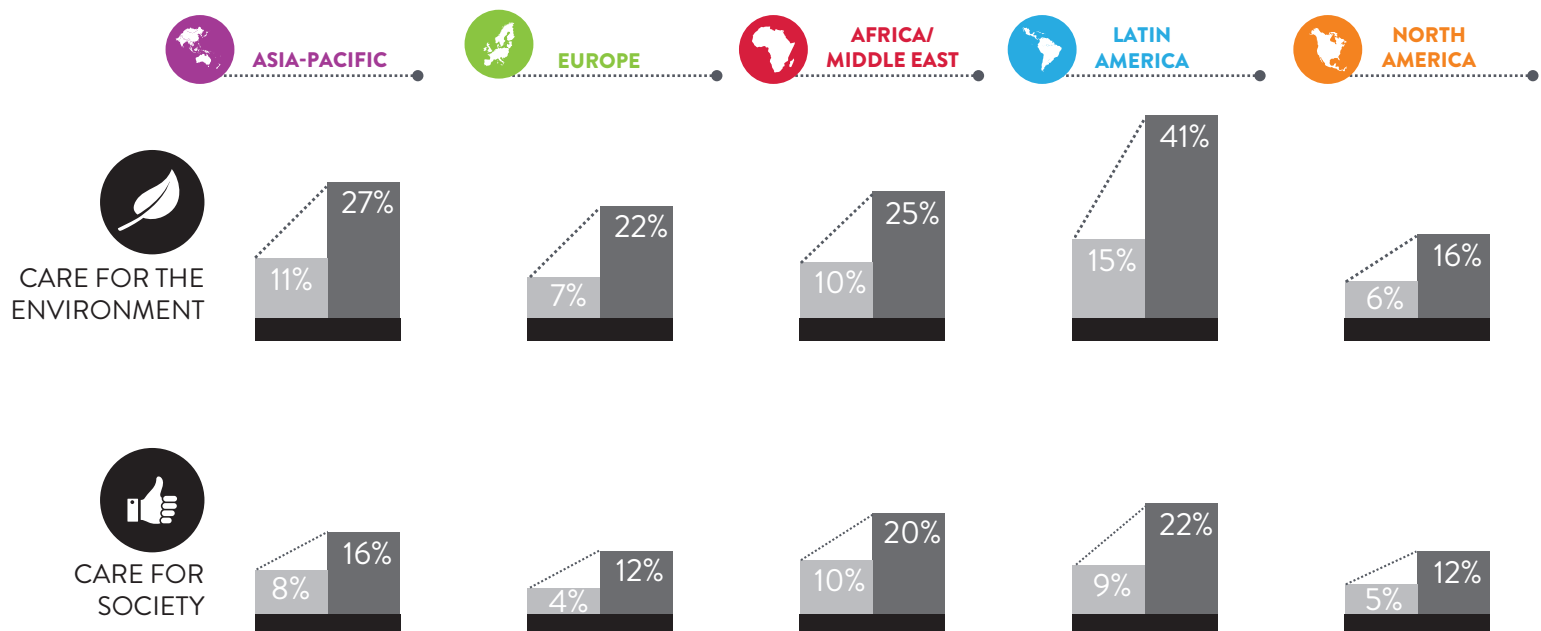
While most consumers say they care about the environment, when it comes to purchasing eco-friendly products, words and deeds often part ways. Only 10% of global respondents say they purchased a new product because it was from a brand that cares about the environment. Even fewer (7%) cite corporate social responsibility as a reason for making a new product purchase.

But insincerity may not be driving this gap. In fact, product availability, or rather, unavailability may be partly to blame. Twenty-six percent of global respondents say they wish more ecologically friendly products were available, and 16% wish more products were committed to positive social impact—a 16-and nine-percentage-point gap, respectively, from those who say they purchased a product because of its environmental or social benefits.

“There are a number of barriers to more widespread usage and acceptance of environmentally and socially conscious products, including a perception of higher prices and poor performance along with distrust in sustainability claims,” said Wengel. “But perhaps even more telling is that consumers are just not finding the ecological products they desire. In many categories, green or socially responsible options don’t exist, are difficult to find or consumers simply don’t know about them. Better product labeling, shelf placement and promotion tactics that encourage trial can go a long way in closing the gap between desire and availability. To ensure consumers are not turned off at the shelf, brands must strike the right balance between ecological and effectiveness claims, testing and optimizing claims and packaging before going to market.”

MORE CONSUMERS WANT ‘GREEN’ PRODUCT THAN ARE BUYING THEM

● REASON FOR BUYING PRODUCT ● WISH THERE WERE MORE PRODUCTS



Source: Nielsen Global New Product Innovation Survey, Q1 2015

PART 2



THE BEST MARKETS
AND BUYERS FOR
NEW PRODUCTS

APPETITE FOR NEW PRODUCTS IS STRONGEST IN DEVELOPING COUNTRIES

Consumers across the globe are enthusiastic about new products, but their purchasing patterns vary widely. The survey results show that developing-market respondents are more inclined to try new products, and they lead the way in self-reported purchasing. More than half of respondents in Asia-Pacific (69%), Africa/Middle East (57%) and Latin America (56%) say they purchased a new product during their last grocery-shopping trip, compared with 44% of European and 31% of North American respondents.

We classified adopters into three groups: early adopters (the first to purchase new products); mainstream consumers (adopt new products at the same time as the majority of their peers); and late breakers (among the last to purchase). We found that of 11 markets with the highest percentage of early adopters, nine are developing.

9 OF 11 HIGHEST PERCENTAGE 'EARLY ADOPTER' COUNTRIES ARE DEVELOPING

BRAZIL (39%) | PERU (30%) | ISRAEL (30%) | COLOMBIA (28%) | INDIA (28%) | LATVIA (28%) | SOUTH AFRICA (28%) | BULGARIA (27%) | SERBIA (27%) | CROATIA (26%) | ROMANIA (26%)

Early adopters are an important segment for manufacturers for several reasons. They can serve as product testers, providing feedback and suggestions for improvement. Also, they're often opinion leaders, and they can be powerful allies in spreading the word about new products.

“Developing countries can be attractive markets for new product expansion efforts due to their younger demographic composition, rising middle class population and strong appetite for ‘affordable luxuries,’” said Wengel. “But developing-market consumers’ needs, standards and expectations can vary dramatically from those in more mature markets, and finding the right mix takes a market-by-market approach. To win, you need a keen understanding of both consumer behavior and the retail landscape and be willing to creatively innovate to deliver products that reflect unique consumer dynamics.”

IDENTIFYING EARLY ADOPTERS AND LATE BREAKERS

To identify consumers as early adopter or late breaker, consumers were asked to respond to a series of eight statements about their purchasing habits. Five were indicative of early adoption and three corresponded with late adoption.

EARLY ADOPTERS	LATE BREAKERS
I LIKE WHEN MANUFACTURERS OFFER NEW PRODUCT OPTIONS.	I WAIT UNTIL A NEW INNOVATION HAS PROVEN ITSELF BEFORE PURCHASING.
I AM AN EARLY PURCHASER OF NEW PRODUCT INNOVATION.	I PREFER TO BUY NEW PRODUCTS FROM BRANDS FAMILIAR TO ME.
I AM WILLING TO PAY A PREMIUM PRICE FOR INNOVATIVE NEW PRODUCTS.	ECONOMIC CONDITIONS AND RECENT WORLD EVENTS MAKE ME LESS LIKELY TO TRY NEW PRODUCTS.
I LIKE TO TELL OTHERS ABOUT NEW PRODUCTS I HAVE PURCHASED.	
I AM GENERALLY WILLING TO SWITCH TO A NEW BRAND	

NEW PRODUCTS ARE NOT JUST FOR THE YOUNG

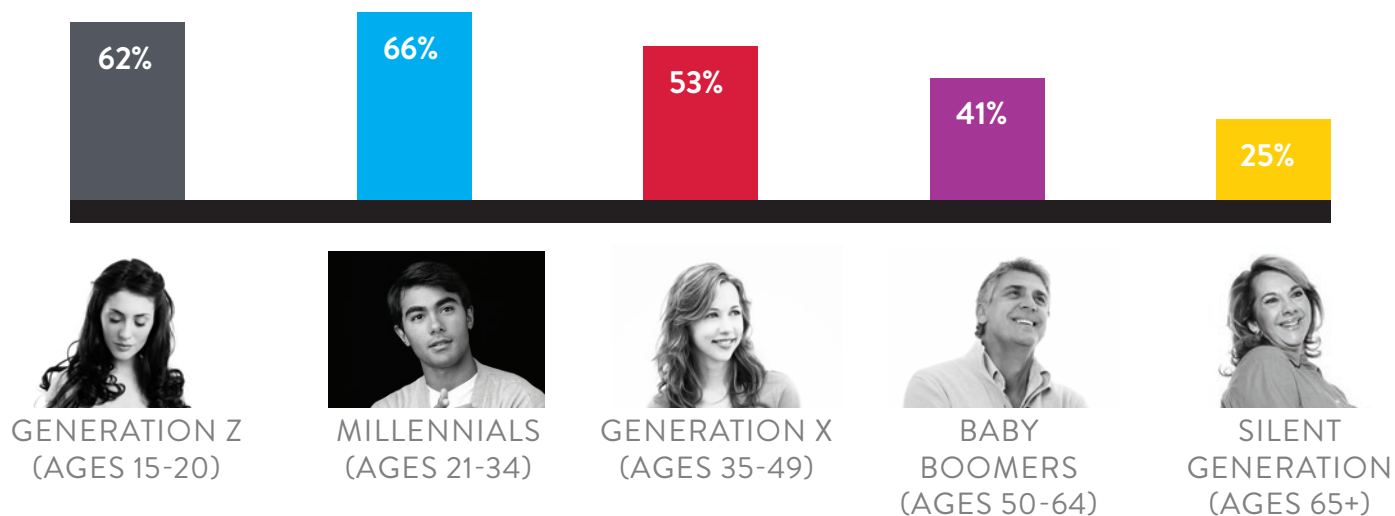
When you hear “early adopter” what comes to mind? It may conjure up an image of a tech-savvy teenager or college student willing to wait in line for the latest gadget. But this image is only partially accurate.

While the youngest respondents are more likely to say they have purchased a new product during their last grocery shopping trip than their older counterparts, those categorized as ‘early adopters’ only show a slight age bias. That is, compared to the total sample, younger respondents are only slightly overrepresented among early adopters.

“Early adopters aren’t just younger consumers,” said Taddy Hall, senior vice president, Nielsen Innovation in the U.S. “Consumers of all ages are looking for products that make their lives better, and all can be passionate advocates if they find a product that fills a need. While Millennials are garnering a fair amount of recent time and attention, consider casting the net wider, and do not lose sight of the needs across all age segments.”

NEW PRODUCTS HAVE CROSS-GENERATIONAL APPEAL

PURCHASED A NEW PRODUCT ON LAST GROCERY-SHOPPING TRIP



The key is determining which needs are not being met for each age group. The types of new products consumers wish were available and their reasons for purchasing are largely consistent across generations, but there are some notable differences.

Consumers of all ages wish more affordable products were available, but this attribute is particularly appealing to the oldest respondents, who are nearing or have reached retirement age. Roughly three-in-10 Baby Boomer (ages 50-64) and Silent Generation (ages 65+) respondents (27% and 31%, respectively) say they purchased a product because it was more affordable than what they typically use, compared with 20% of Generation Z (ages 15-20), 23% of Millennials (ages 21-34) and 22% of Generation X (ages 35-49) respondents. Brand-name recognition also plays a more important role in purchase decisions for older respondents. Twenty-seven percent of Silent Generation and 24% of Baby Boomer respondents say they purchased a product because it's from a trusted brand, while only 17% of Generation Z, 21% of Millennial and 20% of Generation X respondents cite this as a reason for purchasing.

“Even if the Silent Generation planned well for a comfortable retirement, life expectancy has increased, and many of these consumers are relying on fixed budgets longer than expected,” said Hall. “Many Baby Boomers also face this challenge, as stagnant wages, market crashes, and, for some, poor saving habits have put additional stress on spending habits. Affordable options are important, but reliance on brand-name quality standards can also prevent wasting money on a never-before-tried product.”

While younger consumers are also concerned about affordability, they still want the latest and greatest, and they're willing to pay a premium if they think the benefits outweigh the cost. Twenty-three percent of Generation Z and 21% of Millennial respondents wish more premium items were available on the market, exceeding the global average of 18%. In addition, 26% of Generation Z and 21% of Millennial respondents say they have purchased a new product because they thought it was worth it, compared with 16% of Generation X, 12% of Baby Boomer and 9% of Silent Generation respondents.

“TO BALANCE THEIR ASPIRATIONS WITH THE SIZE OF THEIR WALLETS, MILLENNIALS ARE SHOPPING SMARTER,” SAID HALL. “IN RESPONSE TO FINANCIAL HARDSHIP, THEY’VE ADOPTED A TRADE UP/TRADE DOWN APPROACH, SPENDING MORE ON THE THINGS THEY VALUE MOST AND SEEKING LOW-COST OPTIONS WHEN THE PURCHASE IS LESS IMPORTANT.”

PART 3

THE BEST SOURCES
OF AWARENESS FOR
NEW PRODUCTS

TOP SOURCES FOR NEW PRODUCT AWARENESS ARE SHIFTING

Developing the right product is only part of the success equation. Opportunities may ultimately be won or lost in the store, and marketers need a strong activation strategy to generate awareness and trial. And all of this must be supported by a positive product experience. But which sources do consumers rely on to learn about new products? Where should marketers put their time and money?

As the media landscape evolves, so do the sources consumers use to find out about new products, and the reliance on earned media is growing while some paid media sources are declining. For the purposes of this study, the sources consumers say they used to get information about new products are grouped into three categories:

PAID MEDIA

TV ADS
NEWSPAPER/MAGAZINE
INTERNET ADS
OUTDOOR BILLBOARDS
OR POSTERS
DIRECT MAIL
RADIO ADS
PUBLIC-TRANSPORT ADS
VIDEO-SHARING WEBSITES
PUBLIC EVENT (CONCERT,
FESTIVAL, OR SPORTS MATCH)

EARNED MEDIA

FRIENDS/FAMILY
PROFESSIONAL/EXPERT
JOB/WORK
ARTICLES ON NEWS OR
LIFESTYLE WEBSITES
INTERNET FORUM/
MESSAGE BOARD
SOCIAL MEDIA POSTINGS
ACTIVE INTERNET
SEARCHING

OWNED MEDIA

SAW IT IN-STORE
RECEIVED A FREE SAMPLE
BRAND/MANUFACTURER
WEB PAGE
MARKETING EMAILS

TOP 3 GLOBAL SOURCES FOR NEW PRODUCT AWARENESS



56%
FRIENDS/FAMILY



52%
TV AD



48%
IN-STORE

More than half of global respondents (52%) cite TV ads a top source of new-product awareness—the second highest percentage of the 19 sources reviewed—but a decline of 11 percentage points from Nielsen's 2012 survey. In fact, seven of the nine paid sources included in the survey stayed flat or declined in the three-year period. The only paid-advertising sources to increase in importance were Internet ads and video-sharing websites, rising one percentage point each.

“Media fragmentation is largely the cause for the decline in the reliance on TV as a top source for new product awareness,” said Wengel.

“While TV offers the widest audience reach, a multi-media approach is necessary to connect with consumers at all touch points. In fact, Nielsen brand awareness studies show that the combination of TV and digital advertising can increase brand recall by 33% and message recall by 45% compared to TV ads alone.”

But creative execution counts, too. An ad should not only clearly demonstrate usage—emotional context is also important to ensure the message is memorable and persuasive. Put simply, outstanding creative sets itself apart by balancing imagination with meaningful content.

²Data refers to watching video ads online prior to seeing them on TV. Similar results were found when evaluating the combination of display ads and TV ads.

TOP SOURCES FOR NEW PRODUCT INFORMATION

GLOBAL AVERAGE



EARNED

	2012	2015	CHANGE
FRIENDS/FAMILY TOLD ME ABOUT IT	60%	56%	-4%
PROFESSIONAL/EXPERT TOLD ME ABOUT IT	34%	23%	-11%
ARTICLES/CONTENT ON FREQUENTLY VISITED NEWS OR LIFESTYLE WEBSITES	17%	21%	4%
INTERNET FORUM/MESSAGE BOARD	18%	17%	-1%
SOCIAL MEDIA POSTINGS	15%	26%	11%
ACTIVE INTERNET SEARCHING	39%	44%	5%



PAID

TV ADS	63%	52%	-11%
NEWSPAPER/MAGAZINE	32%	27%	-5%
INTERNET ADS (SUCH AS BANNER OR POP-UP ADS)	25%	26%	1%
OUTDOOR BILLBOARDS OR POSTERS	18%	15%	-3%
DIRECT MAIL	12%	11%	-1%
RADIO ADS	13%	10%	-3%
PUBLIC-TRANSPORT ADS	9%	9%	--
VIDEO-SHARING WEBSITES	8%	9%	1%
ATTENDING A PUBLIC EVENT SUCH AS A CONCERT, FESTIVAL, OR SPORTS MATCH	10%	6%	-4%



OWNED

SAW IT IN A STORE	48%	48%	--
RECEIVED A FREE SAMPLE	56%	31%	-25%
BRAND/MANUFACTURER WEB PAGE	27%	25%	-2%
MARKETING EMAILS	10%	11%	1%

Source: Nielsen Global New Product Innovation Survey, Q1 2015
 Nielsen Global Survey of New Product Purchase Sentiment, Q3 2012



BUSTING THE MYTH ABOUT MILLENNIALS AND TRADITIONAL MEDIA

While it's a fairly common belief that digitally savvy Millennial and Generation Z consumers can't be effectively reached through traditional paid advertising like their older counterparts, this assumption isn't entirely accurate.

As expected, the youngest respondents are relying more heavily on digital and mobile tools to learn about new products than their older counterparts. But they also say they're using several types of traditional advertising at comparable—or even greater—levels. Generation Z and Millennial respondents use TV and radio to learn about new products at similar rates to Generation X and Baby Boomer respondents, and their reliance on outdoor billboards/posters, public transport ads and ads at public events exceeds their older counterparts'.

CONSUMERS YOUNG AND OLD USE TRADITIONAL MEDIA TO LEARN ABOUT NEW PRODUCTS

GLOBAL AVERAGE: TOP PAID SOURCES FOR NEW PRODUCT INFORMATION BY GENERATION

● GENERATION Z
(AGES 15-20)

● MILLENNIALS
(AGES 21-34)

● GENERATION X
(AGES 35-49)

● BABY BOOMERS
(AGES 50-64)

● SILENT GENERATION
(AGES 65+)

TV ADS



INTERNET ADS (SUCH AS BANNER OR POP-UP ADS)



NEWSPAPER/MAGAZINE ADS



OUTDOOR BILLBOARDS OR POSTERS



VIDEO-SHARING WEBSITES



RADIO AD



PUBLIC-TRANSPORT ADS



ATTENDING A PUBLIC EVENT SUCH AS A CONCERT, FESTIVAL, OR SPORTS MATCH



DIRECT MAIL



Source: Nielsen Global New Product Innovation Survey, Q1 2015

THE POWER OF WORD-OF-MOUTH COMMUNICATIONS

Supplanting TV as the most commonly used source for new product information is reliance on friends and family, cited by 56% of global respondents. While the percentage of respondents who cite friends and family declined slightly from 2012 (4 percentage points), word-of-mouth communications isn't necessarily losing influence. Consumers are just relying on additional earned-media sources, some of which are word-of-mouth communications.

Just over one-quarter (26%) of global respondents say they use social media postings to get information about new products, up 11 percentage points from 2012, the largest increase of any source. Social media usage is particularly high in Africa/Middle East and Latin America. Roughly one-third of African/Middle Eastern (34%) and Latin America (31%) respondents count social media postings among their top sources, compared to 20% of European and 22% of North America respondents.

Not surprisingly, social media usage is also higher among younger respondents. Nearly one-third of Generation Z (31%) and Millennial (32%) respondents say social media postings are among their top five sources for new product information, compared with 23% of Generation X, 13% of Baby Boomer and 7% of Silent Generation respondents.

"TRADITIONALLY, WORD-OF-MOUTH COMMUNICATIONS RELIED ON THE OPINIONS OF FRIENDS AND FAMILY, BUT SOCIAL MEDIA IS EXPANDING CONSUMERS' NETWORKS AND AMPLIFYING THEIR CIRCLE OF INFLUENCE," SAID WENGEL. "WHEN MAKING SOCIAL MEDIA PART OF YOUR OUTREACH EFFORTS, ENSURE ONLINE INTERACTIONS ARE MEANINGFUL, AUTHENTIC AND CONSISTENT. THE MOST EFFECTIVE SOCIAL STRATEGIES UTILIZE AN OPEN DIALOGUE WITH CONSUMERS, RATHER THAN OVERTLY SELLING SOMETHING."

Consumers are also taking information-gathering into their own hands, using the wealth of knowledge available online to learn about new products to help make educated purchasing decisions. More than four-in-10 global respondents (44%) learn about new products through active Internet searching, up five points from 2012. Using search-engine optimization tools can help ensure the brand's website content is among the first results consumers find when they start their information search.

WORD-OF-MOUTH COMMUNICATIONS IS PARTICULARLY INFLUENTIAL

TOP EARNED SOURCES FOR NEW PRODUCT INFORMATION BY REGION

● ASIA-PACIFIC ● EUROPE ● AFRICA/MIDDLE EAST ● LATIN AMERICA ● NORTH AMERICA

FRIENDS/FAMILY TOLD ME ABOUT IT



ACTIVE INTERNET SEARCHING



SOCIAL MEDIA POSTINGS



ARTICLES/CONTENT ON FREQUENTLY VISITED NEWS OR LIFESTYLE WEBSITES



PROFESSIONAL/EXPERT TOLD ME ABOUT IT



INTERNET FORUM/MESSAGE BOARD



Source: Nielsen Global New Product Innovation Survey, Q1 2015

IN-STORE TRAFFIC LEADS TO BOTTOM- LINE SALES RESULTS

Owned channels deliver unique selling benefits and are a key component of a complete activation strategy. The importance of the distribution pipeline to new product success cannot be overstated. After all, consumers can't buy products if they can't find them. Nielsen research shows that distribution has a positive linear correlation with new-product volume, and it is the top driver of new product trial.

Nearly half of global respondents (48%) say they learn about new products by seeing them on store shelves. This is a particularly important driver in North America and Europe. In fact, it tops the list of information sources in North America, cited by 64% of respondents. Fifty-six percent of European respondents say in-store discovery is one of their top information sources.

Just getting your product on store shelves isn't enough, however. You need the right kind of distribution. Incremental distribution is the way to additive, non-cannibalistic growth, which can be achieved by ensuring product placement where core consumers shop. Optimal shelf placement and properly placed displays are other important considerations when developing in-store strategies.

Where a consumer shops is largely dependent on a product category, and retail preferences can vary dramatically around the world. In developed markets, sales are concentrated in large supermarkets and hypermarkets. The landscape in developing countries is more fragmented. While many developing-market consumers are crossover shoppers, visiting both modern and traditional channels, 45% of food and beverage sales move through traditional trade, making it the category in which most purchasing is concentrated. Sales in personal care and household product categories, on the other hand, are split across five channels (drug stores, hypermarkets, large supermarkets, small supermarkets and traditional stores), with no channel claiming more than 26% of the personal care market (drug) and 23% of household product sales (traditional).

LARGE SUPERMARKETS AND HYPERMARKETS ACCOUNT FOR THE MAJORITY OF SALES IN DEVELOPED MARKETS



61%
PERSONAL
CARE SALES



62%
FOOD AND
BEVERAGE SALES



79%
HOUSEHOLD
CARE SALES

Source: Nielsen Retail Measurement Data, 12 months ending January 2015. Includes data from 40 countries and 31 product categories.

“The importance of traditional trade and retail chains fragmentation in developing markets make new product launches challenging,” said Marcin Penconek, vice president, Innovation Practice in Europe. “Manufacturers often struggle to achieve strong distribution levels quickly. Also, ensuring consistent pricing across retail channels and outlets is often challenging. Therefore, go-to-market strategies need to emphasize differences between traditional and modern trade, ensure realistic sales planning and realize that consumer’s shopping patterns and preferences are likely to differ significantly market-by-market.”

Sampling is another key driver of awareness and trial. Nearly one third of global respondents (31%) say a free sample is among their top five sources of new product information. However, it’s more commonly cited in North America (44%), Europe (38%) and Latin America (34%) than in Africa/Middle East (30%) and Asia-Pacific (25%).

“When instituting a sampling program, be creative and look beyond traditional in-store or direct mail approaches,” said Wengel. “For example, leverage the growing influence of earned media sources by providing samples to key influencers who can share their product experiences with their network of fans or followers. Similarly, encourage repurchase and measure return on investment by giving consumers a unique coupon code with their sample.”

SAMPLING IS A KEY DRIVER OF AWARENESS/TRIAL



NORTH AMERICA
44%



EUROPE
38%



LATIN AMERICA
34%



AFRICA/MIDDLE EAST
30%



ASIA-PACIFIC
25%

STRATEGIES FOR WINNING WITH NEW PRODUCTS

Despite consumers' openness to innovation, new product success is hard to achieve. However, manufacturers can significantly increase their odds of success by following four guiding principles: uncovering unmet consumer demands, delivering product innovations to meet that demand, effectively executing on the activation strategy and bringing the entire organization together.

- **Get the right innovation:** It's been said, but it bears repeating: Successful innovation starts with a deep understanding of the consumer. Know their sources of stress, confusion or inconvenience and the compromises they make; understand why consumers pull brands into their lives and the job to be done. In simple terms, the demand-driven insight is at the center of the entire innovation process, even activation.
- **Get the innovation right:** Once the demand-driven insight is identified, the solution must be translated into a complete market-ready offer. Successful innovations resolve poorly performed jobs in consumers' lives. Not all ideas will be winners. Organizations should prioritize resources and investment behind a few projects with strong odds of success.
- **Get the activation strategy right:** Marketing execution needs to leverage the demand-driven insight and implement marketing, communication and in-store strategies tailored to the initiative. Keep in the mind the top drivers of awareness (friends and family, TV ads and active search) when developing activation strategies, but recognize the importance of a 360-degree communication approach through all touch points. No matter what, companies should focus on developing a strong package design. This is even more critical for brands that don't have large ad budgets. We know that smaller brands like Sparkling ICE were able to become category leaders because of their strong in-store presence supported by pack design.
- **Get everyone behind you:** Disciplined management and organization around innovation is imperative to success. New product success requires support from the entire organization, from executives to individual contributors, to the engineering and creative teams.

COUNTRIES INCLUDED IN THIS STUDY

EUROPE

MARKET	INTERNET PENETRATION
Austria	87%
Belgium	90%
Bulgaria	59%
Croatia	71%
Czech Republic	78%
Denmark	97%
Estonia	83%
Finland	97%
France	83%
Germany	87%
Greece	60%
Hungary	75%
Ireland	79%
Israel	76%
Italy	59%
Latvia	75%
Lithuania	69%
Netherlands	96%
Norway	95%
Poland	67%
Portugal	65%
Romania	51%
Russia	61%
Serbia	65%
Slovakia	82%
Slovenia	76%
Spain	75%
Sweden	95%
Switzerland	89%
Turkey	57%
United Kingdom	90%
Ukraine	42%

ASIA-PACIFIC

MARKET	INTERNET PENETRATION
Australia	94%
China	47%
Hong Kong	81%
India	20%
Indonesia	28%
Japan	86%
Malaysia	67%
New Zealand	95%
Philippines	41%
Singapore	80%
South Korea	92%
Taiwan	80%
Thailand	30%
Vietnam	44%

LATIN AMERICA

MARKET	INTERNET PENETRATION
Argentina	75%
Brazil	54%
Chile	67%
Colombia	62%
Mexico	49%
Peru	42%
Venezuela	50%

MIDDLE EAST / AFRICA

MARKET	INTERNET PENETRATION
Egypt	53%
Pakistan	15%
Saudi Arabia	67%
South Africa	52%
United Arab Emirates	96%

NORTH AMERICA

MARKET	INTERNET PENETRATION
Canada	95%
United States	87%

Source: Internet World Stats, June 30, 2014

METHODOLOGY: IDENTIFYING EARLY ADOPTERS AND LATE BREAKERS

To identify consumers as early adopter or late breaker, consumers were asked to respond to a series of eight statements about their purchasing habits. Five were indicative of early adoption and three corresponded with late adoption (see page 20). If they selected “definitely agree” for the statement, they were given a one; any other response was assigned a zero. The sum for all statements was totaled. The maximum score for early adoption was five; for late breakers, three. Nielsen’s extensive research on the topic has shown that early adopters and late breakers represent typically 15-20% of the sample each. Consequently, the threshold for each group was set so that approximately 15-20% of the sample fell in the early adopters group and a similar percentage were categorized as later breakers. Crosstabs were used to determine how these groups differ with respect to their attitudes and preferences about innovation.

ABOUT THE NIELSEN GLOBAL SURVEY

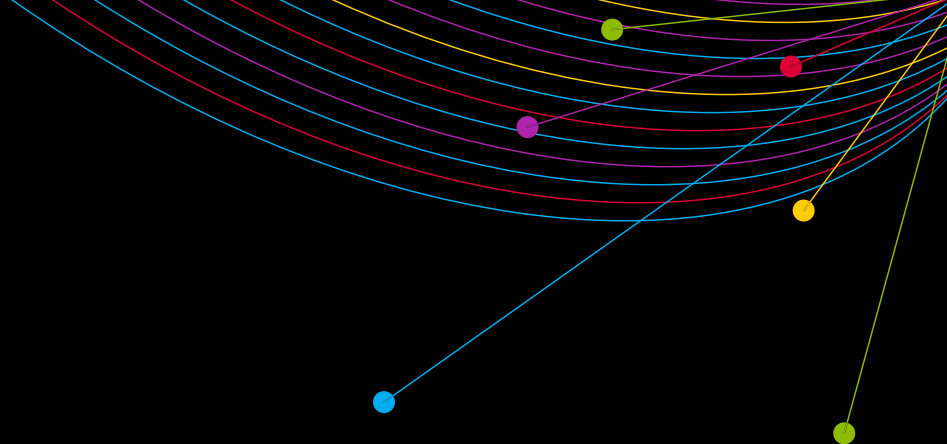
The Nielsen Global New Product Innovation Survey was conducted between Feb. 23 - March 13, 2015, and polled more than 30,000 consumers in 60 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America. The sample has quotas based on age and sex for each country based on its Internet users and is weighted to be representative of Internet consumers. It has a margin of error of $\pm 0.6\%$. This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or an online population of 10 million for survey inclusion. The Nielsen Global Survey, which includes the Global Consumer Confidence Index, was established in 2005.

ABOUT NIELSEN

Nielsen N.V. (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers Watch and Buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services across all devices where content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen provides its clients with both world-class measurement as well as analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries that cover more than 90 percent of the world's population.

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