

60:40 mindset and how to conduct PQM (Product Quality Measurement)

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Aiming for Consumer preferred product

- If your Brands products are preferred to the Competitors in blind (unbranded) consumer tests, then you have a source of competitive advantage.
- Over time, the brand with the superior products would be expected to gain share from players with inferior products.
- Brand owners who want to strive for consumer preferred products as a competitive differentiator, need to carry out product testing of their key brands at least once or twice a year.
- Brand owners who are settling for parity (as a minimum) also need to carry out product testing at least once a year ... to check they have not “fallen-behind”.
- Action Standards must be agreed prior to testing and not after the results come in!
- A typical Action Standard is “Win 60:40 on Forced Preference”. However this may be varied depending on local market situations such as:
 - “We are a Big brand in a small/niche market “– Here parity may be sufficient
 - “We have a small market share/third placed brand” – parity to category brand leader might be the Action Standard

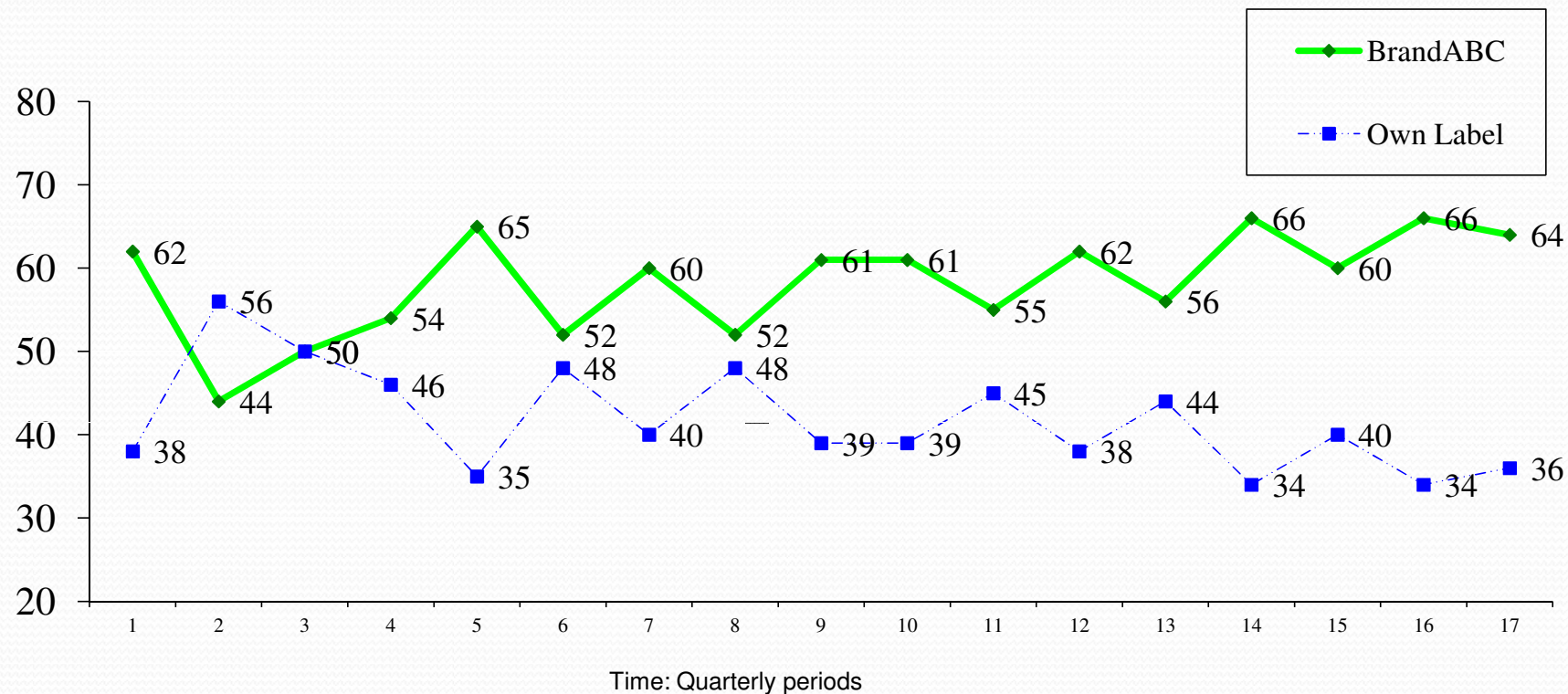
Why do we need a “60:40” mindset?

- Assuming at least 100 Consumers are asked to test two products and to give their preference.
- If 60% prefer A and 40% (the remainder) prefer B, then Statistically this is a Significant Difference with A preferred over B.
- There are caveats, but if you can achieve a 60:40 difference then you have a WIN.
- To complete the picture:
 - If A = 60% and B = 40% = Win for A
 - If A=55% and B=45% then = Parity/no difference
 - If A=40% and B =60% = Win for B
- A “Loss” or in some cases “Parity” means a Product Improvement programme is required:



Example 1 (France) – Brand ABC* v Own Label – Blind consumer Preference Testing over time %

% consumer preference for a Beverage Brand (Green line) against leading Own Label (blue dashed line) in blind product testing. Time periods = Quarterly Base size = 150 per quarter.



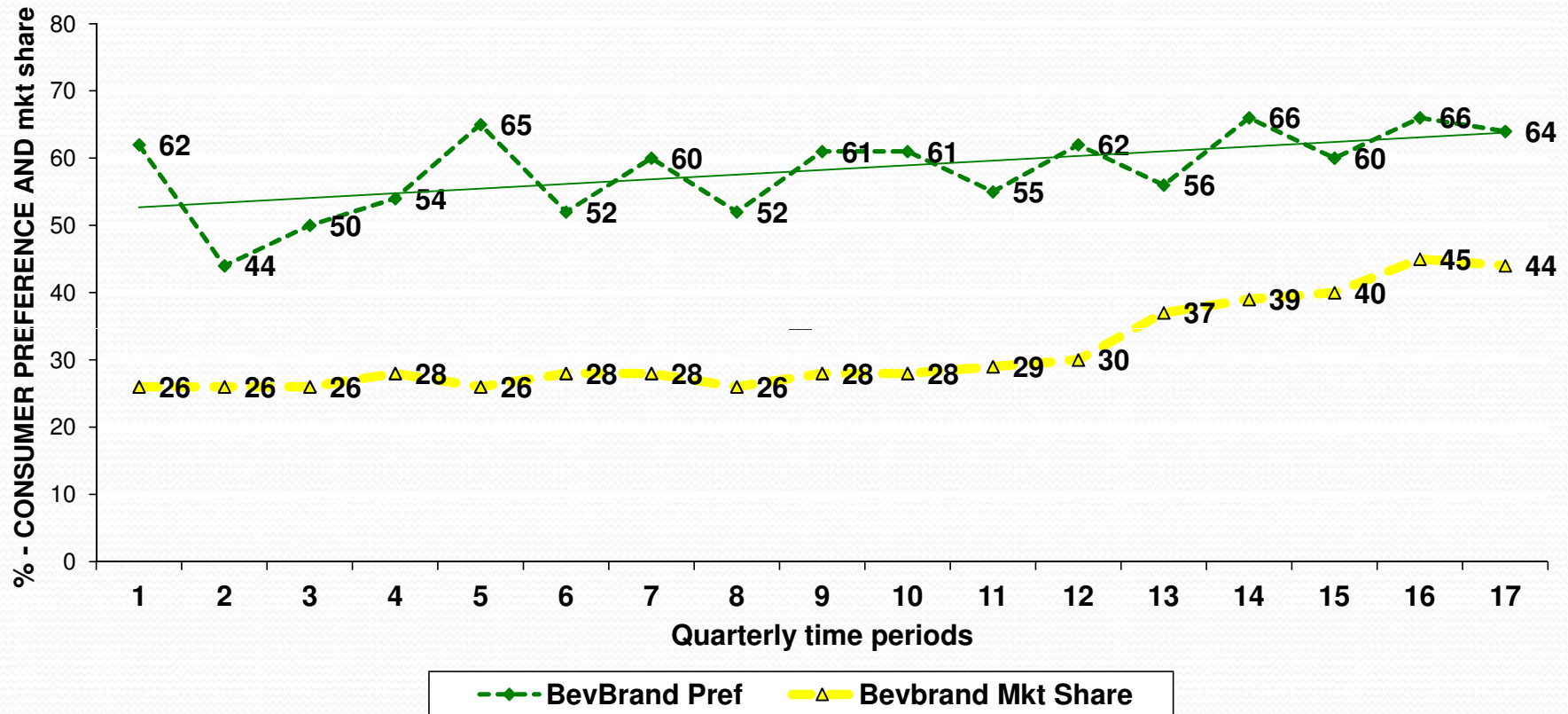
Example of Brand ABC* increasing its consumer preference in blind product tests over leading Own Label over a period of four years.
Brand ABC's 60:40 wins are increasing the margin of Win and it is being maintained

* This is actual data but brand and category is disguised for reasons of client confidentiality

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Source: consumer preference testing by NPR of brand against leading Own Label. Market Share is Nielsen/IRI retail sales value

Example 1 (France) – Brand ABC Preference over Own Label and its Market share (%) (Base = 150). Chart shows Brand ABC % Consumer Preference (Green line). Yellow line shows Market Share in Value . Time periods = Quarterly. Base size = 150



Illustrates an association between being consumer preferred in product terms (blind testing) and Market Share

* This is actual data but brand and category is disguised for reasons of client confidentiality

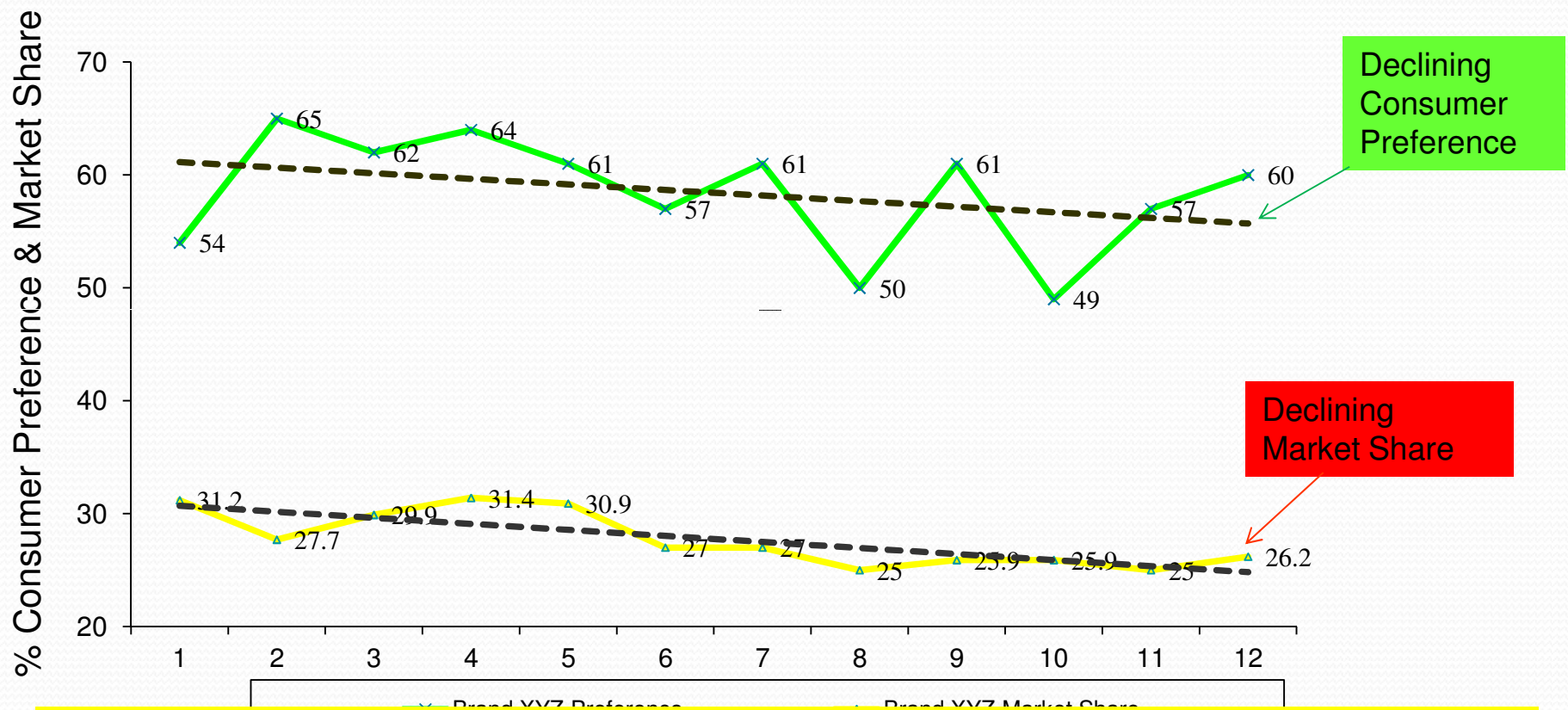
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Source: consumer preference testing by NPR of brand against leading Own Label. Market Share is Nielsen/IRI retail sales value

Example 2 (UK) – Brand XYZ Preference over Own Label and its Market share (%) (Base = 150).

Chart shows Brand XYZ %

Consumer Preference (Green line). Yellow line shows Market Share in Value . Time periods = Quarterly. Base size = 150



Illustrates an association between declining consumer preference in blind tests and decline in Market Share

* This is actual data but brand and category is disguised for reasons of client confidentiality

PQM Testing principles

- Testing must be amongst consumers of the relevant category – not whoever is available in Head Office.
- Testing should be robust, structured and objective. Avoid the temptation to carry out a “quick and dirty test” amongst marketing and technical employees or small panels of consumers
- A trained Sensory Panel can help to explain differences between products and provide useful diagnostics, but it is not a substitute for consumer testing.
- Test should normally be carried out “blind” to remove brand “halo” effects. It is possible to run a dual test with both blind and branded cells.
- Ensure control over product tested, so that it is “typical” of what your customers are consuming e.g. age of product, storage. Ensure some samples are retained and checked by R&D that they are within spec.
- At point of testing ensure stringent test controls e.g. product to settle, serve at same chilled temperature using thermometers etc. Cleanse palate between servings using water/unsalted crackers
- **Product Quality Measurement in key markets should be carried out cost-effectively. Avoid using Global research agencies with inflated overheads.**

Investment in PQM – example costs from NPR

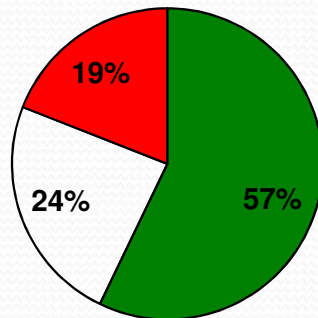
Costs for a typical blind test with option of 200 or 400 testing. '000 Euros	OR	
	n=200	N=400
France	16	24
NL	18	28
Ru	11	15
TK	8	11
Mex	14	20
USA	18	26
China	13	23
Initial set up	12	16
Total*	110	163

*excluding product sourcing and transport and local translation of questionnaires. Assumes General Population 16-35, within which category users min 40% and questionnaire no longer than 15 minutes.

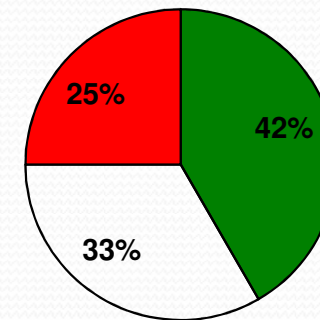
Costs shown include all reasonable costs – Questionnaire development fieldwork, analysis and reporting for a wave test in 7 markets

Global Reporting - Snacks example

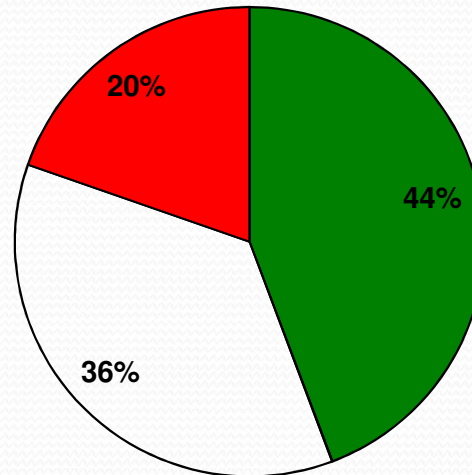
Latam Base:21 tests



Other - Asia Middle East Africa
Base:12 Tests

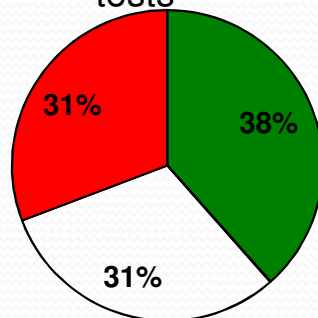


Global Base:61 tests

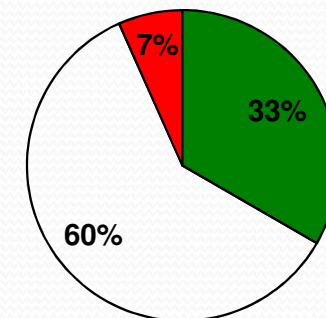


■ Brand Win
□ Parity
■ Loss

East Europe Base: 13 tests



West Europe Base:15 tests



An example of how PQM results can be reported at a high level

Source: Consumer blind product testing of Brand versus equivalent competitor within same flavour

PQM Methodology - template

Objective: Measure blind product preference of Brand ABC vs. main competitor(s)

Issue	Example
Reads per Year	<ul style="list-style-type: none">• 4 i.e. quarterly. Minimum of 1 a year
Consumer Screening	<ul style="list-style-type: none">• Age 18-55. Social class: ABC1C2• Grocery Shoppers (main or equal responsible) who buy and themselves consume category. Gender 50:50?.• Consume nowadays (past 2-3 weeks)• Standard exclusions (e.g.. exclude if has a cold, works in media or for category manufacturer/brand owner etc)
Products tested	<ul style="list-style-type: none">• 1 or 2 key SKU's against competitor equivalent
Interviewing Markets	<ul style="list-style-type: none">• E.g. UK, France , Germany, Russia, USA.• Within each country , test in at least 3 geographically different locations.• Rotate locations across waves to “freshen up”• Preference data not weighted by CDI. Rough quotas on social class are used on each wave to avoid CDI fluctuations.• Respondents recruited by street/mall intercept on day of test.
Product Purchase Method	<ul style="list-style-type: none">• Purchased off shelf in each market. Pre-ordered from retailer to ensure sufficient of same production code.• Samples shipped to R&D for analysis is recommended. It helps illuminate the preference results and also is a check that correct product has been consumer tested !

PQM Methodology template

Objective: Measure blind product competitiveness of Brand ABC vs. main competitor(s)

Issue	
Interview Method	<ul style="list-style-type: none">•Blind, sequential monadic. Respondent tests either two products or four products in two pairs. Brand ABC is present in each pair. Hall test (sip test).
Questionnaire	<ul style="list-style-type: none">• Category usage level (e.g., light vs. heavy)•Brand usage•Overall opinion/liking•Diagnostics on relevant key variables e.g. Sweetness, thickness, softness,•Blind preference.•Open-ended reasons for preference•Additional questions can be asked but the questionnaire should not be over-long to reduce boredom
Reporting	<ul style="list-style-type: none">•Quarterly reports. PowerPoint summary plus data tables for each market
Metric	<ul style="list-style-type: none">•Significant preference is key metric•Preference reported by market and shown over time.
Sample size	<ul style="list-style-type: none">•Absolute minimum is 100 per country per test for testing two products. If a monadic (try first) read is required then n=200 is recommended (Provides a monadic read of 100)

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