

IDENTIFYING OPPORTUNITY SPACES IN FAST-GROWING CONSUMER PRODUCT CATEGORIES

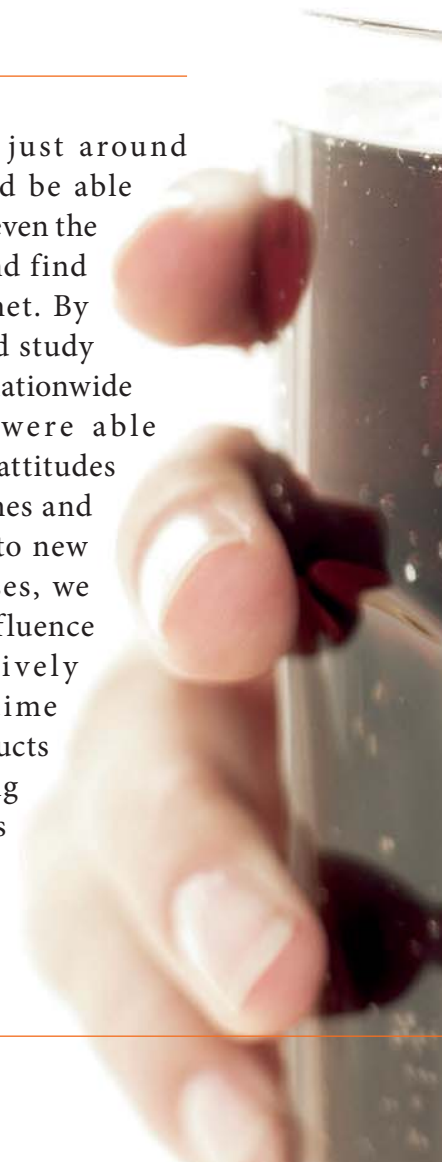
by Patricia Graham

New research shows untapped opportunities for greater category, product differentiation among energy drinks and cellular phones

Opportunity as an abstract concept is something no one would call imagined; every successful product innovation, for example, creates an opening for further offerings. Enterprising souls capitalize on new needs that emerge as consumers gain experience with the new product. But how can we move from potential to fulfillment in these scenarios—identifying desires that consumers may not even be aware of and taking practical action to fulfill them? How can we locate opportunities and decide how best to turn them into revenue?

To demonstrate how companies can make this happen, Knowledge Networks recently set out to define the high-level opportunities in two hot categories—energy drinks and cellular phones.

If opportunity is always just around the corner, then we should be able to direct our microscopes at even the most successful products and find new needs waiting to be met. By fielding a carefully prepared study among 657 members of the nationwide KnowledgePanelSM, we were able to uncover key areas where attitudes toward and uses of cell phones and energy drinks could point to new opportunities. In both cases, we found an opportunity to influence consumers more effectively through separating one-time and repeat users of the products (energy drinks) and focusing on a different set of features (cell phones).





Of course, to define opportunities accurately requires more than a single survey; ultimately, it requires advanced analytic modeling. But to start, questions must be designed to coax respondents into thinking about—or revealing—what they might not know that they want, along with what they currently value. From

who picked out and purchased the phone themselves. (Other phones were likely provided by an employer, parent, or other source.)

Though cellular phone manufacturers spend millions on advertising yearly, we found that 86 percent of “active choosers” picked their service provider first, *then*

selected a cellular phone afterward. In fact, 65 percent of “active choosers” did not originally intend to purchase the phone model they wound up with. Further, as shown in Chart 1, only about one half of current cell

CONSUMERS WERE MORE LIKELY TO CITE BASIC FEATURES AS BEING IMPORTANT TO THEIR PURCHASE DECISION.

the consumer information provider, this requires both survey design expertise and knowledge of the industry vertical in question; and it demands that the client be open to results that may contradict fundamental expectations or assumptions.

In addition, the consumer information provider needs to bring expertise with analytics, including driver analysis, and other follow-up approaches that will deepen consumer insights and make them actionable. In total, the payoff is in a more realistic understanding of where success may lie for new product ideas and/or portfolio management.

CELLULAR PHONES: THE MANY SHADES OF “NEED”

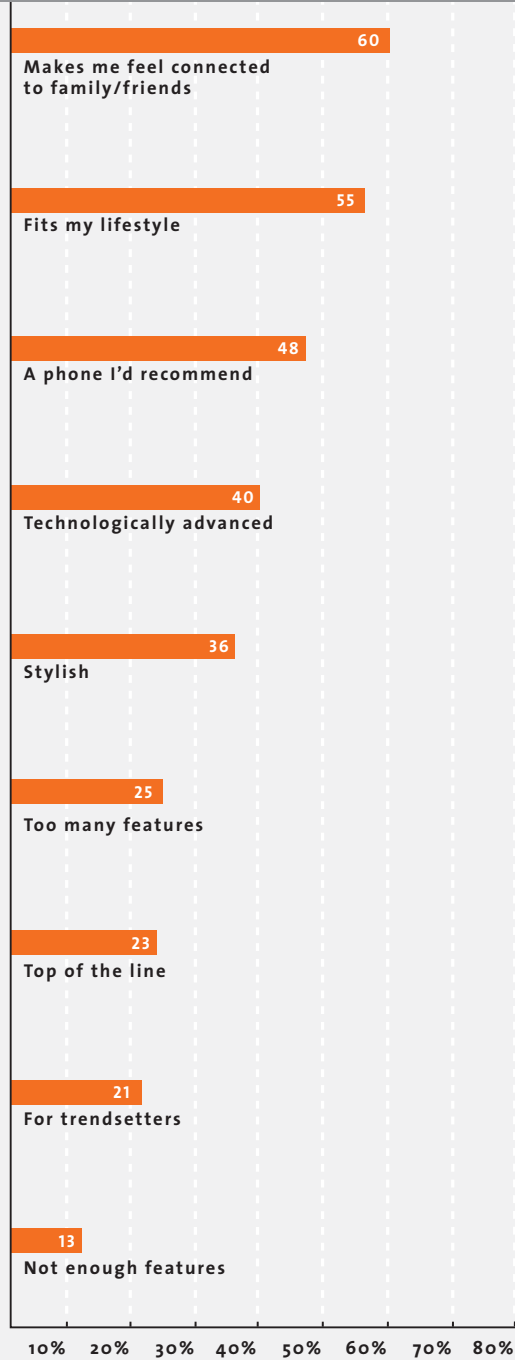
Among the total sample for our survey, 70 percent reported owning a cellular phone, and 55 percent were “active choosers,”

phone owners would recommend their current phone to others, and 40 percent feel their phone is technologically advanced.

Importantly, consumers do not seem to value a high level of technological advancement in cell phones as much as feeling connected to family and friends. We found that, among all cellular phone owners, 68 percent agreed with the statement, “Apart from making/receiving calls, I really do not need the other features on my phone.” And 70 percent of the total owner group said that “the features that are part of my cell phone are not as important as the service features that are part of my calling plan.”

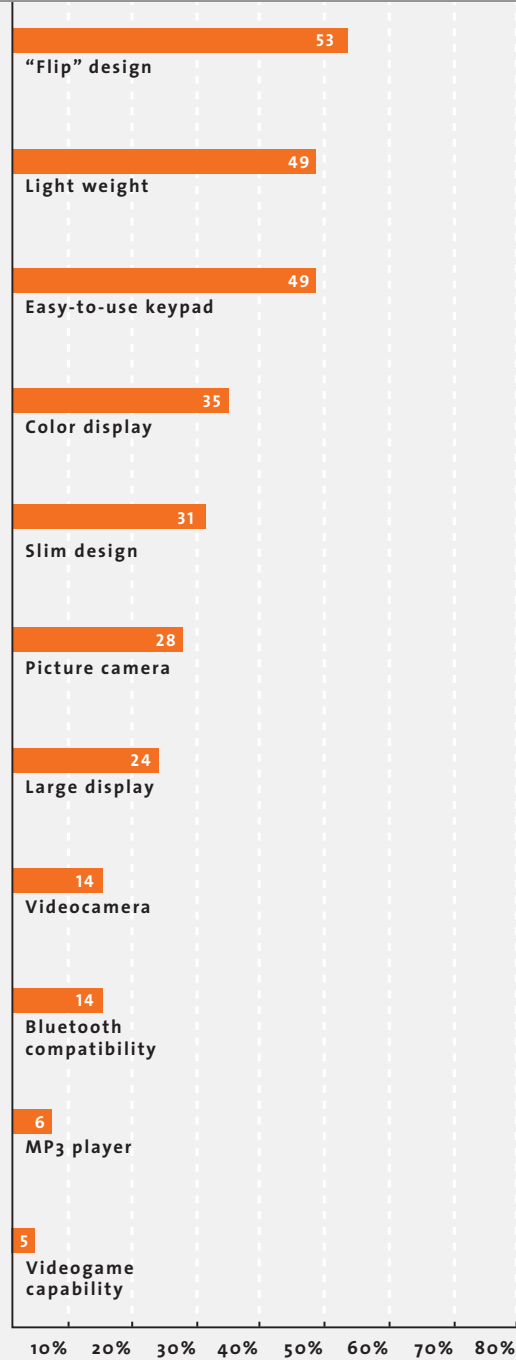
Of fourteen features we listed—some technologically sophisticated (see Chart 2) such as Bluetooth capability and MP3 player—the “active choosers” were more likely to cite rudimentary ones as important in the decision to buy a certain

CHART 1: ATTITUDES ASSOCIATED WITH CURRENT CELL PHONES



Base: All cell phone owners

CHART 2: FEATURES IMPORTANT TO CELL PHONE PURCHASE DECISION



Base: "Active choosers"



phone—“flip” design (cited by 53 percent); light weight (49 percent); and a keypad that is easy to use and read (49 percent).

These findings parallel a recent Knowledge Networks *Home Technology Monitor™* study (*How People Use® Mobile Video*) in which 50 percent of those who subscribe to video cell phone services—and 30 percent of video iPod® owners—reported that they never use these devices for viewing video. We projected that just 3 percent of the 13–54 broadband population, whom we would normally consider to be technologically oriented, actually watch video on either of those devices.

OPPORTUNITY: DIFFERENTIATION THROUGH FEATURES

All of these findings suggest that, while relatively inexpensive cellular phones now offer a host of video and Internet features—including movie-making capability—many consumers are not convinced of the value of these bells and whistles; they are choosing their phones, instead, because of some of their most basic functions and the need to stay connected. The high percentage of those who made phone brand choices on the spur of the moment also suggests that consumers are not differentiating among most of the cell brands and models prior to shopping.

Therefore, it seems that cell phone manufacturers may have some opportunities to pursue, such as

- explore basic features as the starting point for marketing communication
- isolate one or more higher-end features that distinguish their phone from others and have high potential value for their consumer target
- persuade consumers that those features are a good reason to seek out that phone in particular, instead of just accepting whatever comes free or cheap with a service plan

ENERGY DRINKS: IN SEARCH OF A STRONGER IDENTITY

We found similarly intriguing opportunities for improving or introducing products in our study of energy drinks. Among the total

TABLE 1: WHAT DO YOU WANT MOST IN AN ENERGY DRINK?

	REPEATER	TRIER ONLY
Flavor	19%	45%
Energy boost	61%	25%
Portion size	2%	1%
Flavor when mixed with alcohol*	1%	4%
Price	12%	13%
Portable packaging	1%	—
Other	5%	13%

*Note: 'Flavor when mixed with alcohol' was only asked of respondents over the age of 21; base for this answer only is respondents 21+.

population, 31 percent were energy drink consumers; 35 percent of the buyer base were triers only, and 65 percent repurchased the category. Everyday consumption is low (10 percent of the population), and roughly the same percentage (11 percent) have an energy drink once or twice a week.

The challenge that presents itself in this category is differentiation—of brands from each other, and of energy drinks as a whole from other types of beverages that may fit the consumption need state. This is particularly evident when comparing those who had tried the drinks only once versus repeat energy drink consumers; clearly there was a lost opportunity with the one-time triers. Understanding their needs and perceptions as a group could be key to determining how to expand the penetration of the energy drink category. Further volumetric opportunities lie in investigating the infrequency of

consumption occasions seen among repeaters.

For example, when asked to cite the one thing they want most in an energy drink (see Table 1), 45 percent of one-time-triers said “flavor,” compared to only 19 percent of repeaters; but repeaters were more than twice as likely to be looking for an “energy boost” (61 percent vs. 25 percent). “Price” was cited about equally among both groups (12 percent of repeaters, 13 percent of triers); but when asked what would be most important to them if they were to try a new brand of energy drink (see Table 2), triers chose price more often than repeaters (44 percent vs. 36 percent).

Viral marketing’s importance in the energy drink category and brand selection is also apparent in the data shown in Table 2 . Fully a third to a quarter of the repeaters versus triers indicate that a recommendation of a friend or family

TABLE 2: WHICH WOULD BE MOST IMPORTANT IN SELECTING A NEW BRAND OF ENERGY DRINK TO TRY?

	REPEATER	TRIER ONLY
Recommendation of a friend/family member	34%	24%
Package appearance	4%	—
Advertising	4%	1%
Media coverage (read/heard about on Internet, TV etc.)	7%	6%
Price	36%	44%
Portion size	5%	4%
Bartender recommendation*	—	3%
Other	10%	18%

**Note: 'Bartender recommendation' was only asked of respondents over the age of 21; base for this answer only is respondents 21+.*

TABLE 3: BIGGEST SOURCE OF DISSATISFACTION WITH ENERGY DRINKS

	REPEATER	TRIER ONLY
Not enough energy boost	19%	24%
Flavor	15%	37%
Portion too small	4%	4%
Portion too large	1%	—
Hard to find the brand I like	2%	—
Price too high	50%	16%
Too much energy boost	4%	7%
Other	5%	12%

member was second only to price in selecting an energy drink brand.

The two groups also exhibited different points of dissatisfaction with energy drinks (see Table 3). One-time triers were more than twice as likely to choose “flavor” (37 percent vs. 15 percent); but the two groups were about equal in citing “not

enough of an energy boost” (24 percent of triers, 19 percent of repeaters). Exactly half of repeaters said “price too high” was their biggest dissatisfaction with the category, compared to only 16 percent of one-time triers. Pricing and flavor are clearly opportunity areas for further exploration. Our findings also suggest that energy

TABLE 4: DO YOU AGREE OR DISAGREE?: “ALL ENERGY DRINKS ARE THE SAME”

	REPEATER	TRIER ONLY
Strongly agree	5%	21%
Somewhat agree	22%	14%
Neither agree nor disagree	21%	37%
Somewhat disagree	37%	14%
Strongly disagree	15%	14%

drinks are not sufficiently distinguished from one another—particularly in the eyes of one-time triers, who are four times as likely (21 percent vs. 5 percent) to strongly agree with the statement, “All energy drinks are the same.” In contrast, however, 52 percent of repeaters disagreed with this statement (“strongly” or “somewhat”), compared to 28 percent of triers (see Table 4).

Energy drinks have achieved traction among repeaters because they have a strong intrinsic attachment to the category. They view it as representing their lifestyle and being “for people like them.” By contrast, triers are more likely to feel the category is “gimmicky.”

OPPORTUNITY: DEFINE ENERGY DRINKS MORE CLEARLY WITH CONSUMERS

Our findings point to two different sets of opportunities, based on trier versus repeater status. Among triers, the challenges are twofold

- Finding a reason for them to stick with the category
- Giving them the more appealing flavor that is a greater priority for them than it is for the repeater segment

Energy drink manufacturers would seem well advised to focus on messages about flavor to bring one-time triers back to the fold; and they need to be sure they are delivering on that promise. Flavor messaging should also help eliminate some of the lack of identification with the category among triers, who are more likely to see the drinks as gimmicky (see Table 5).

Repeaters are more likely to be attracted by the drinks’s caffeine boost; but a third still find the category gimmicky. Energy drinks have no clear identification with specific consumption occasions; the manufacturers need to create such an alignment to win volume from more entrenched beverage categories, such as coffee and soft drinks.

Many consumers now see energy drinks as a rather amorphous, interchangeable category whose benefits and occasions for use are somewhat unclear, a potential problem for a beverage that carries a high price tag. They are most frequently equated with sodas, which are much cheaper and seen as being more differentiated from each other. The opportunity—in fact, one might call it a need—is to define energy drinks and their brands more clearly in the consumer’s mind.

At the brand level, there is an opportunity to distinguish specific drinks from the pack, through

- messaging and claims: “the taste leader among energy drinks”
- research findings: “the jolt preferred by more people”
- ownership of specific occasions: “the nightlife drink”

- perceptual mapping with a broad category definition
- investigation of emotional and functional benefits

This work would give context and depth to any survey data and provide a clear sense of where a given brand fits into the marketplace and why it may or may not appeal to consumers.

Ask basic questions.

Be sure to include basic attribute options that might strike us as overly simple; it was this approach that revealed that cell phone features such as “flip”/clamshell design were most important to consumers.

FULLY 50% OF REPEAT ENERGY DRINK USERS SAID PRICING WAS THEIR BIGGEST DISSATISFACTION WITH THE CATEGORY.

In all cases, manufacturers would base claims on thorough studies of their buyers and potential buyers.

A SYSTEMATIC APPROACH TO OPPORTUNITY SPOTTING

As we can see from the above insights and actions, opportunities to improve the success of even fast-growing product categories are identifiable. Key factors in making this happen include:

Deploy a range of research techniques to develop actionable data. A fruitful approach to understanding opportunities might include

- forced-choice analysis
- brand landscaping, including driver analysis

We should also mix associative “image”-related questions with factual ones to probe the deeper significance to consumers of using a certain product type or brand.

Be curious. In addition, we need to read the answers respondents provide with a sense of curiosity about what could be improved. If our only goal for a study is to affirm what we already believe, then we have missed the first and biggest opportunity—to improve rather than standing still.

Apply expertise to generate practical actions. Professionals who are well versed in the category we are studying can help turn opportunity observations into steps that we can take to capitalize on our learning.

By committing resources and time to an ongoing program of opportunity

TABLE 5: ATTITUDES ASSOCIATED WITH ENERGY DRINKS

	REPEATER	TRIER ONLY
Provides a caffeine boost	66%	48%
Is gimmicky	34%	47%
For trendsetters	27%	16%
Stylish	38%	17%
Is for people like me	50%	15%
Like look of the can	39%	18%
Good choice for social occasions	39%	13%
Like the way it makes me feel	60%	13%
Fits my lifestyle	58%	7%

Q. ("Strongly agree" or "somewhat agree")

generation, companies can identify the unfilled “spaces” in consumer wishes and needs, allowing them to be more pro-active than reactive and to make more-effective longer-term plans. ▀

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