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Drivers of consumer acceptance of new packaged goods: an investigation across products and countries

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The managerial issue

The introduction of new products is widely recognized as one of the most important marketing activities of companies. Nevertheless, an intensive new product strategy is risky, as many new products fail in their first year.

In the consumer packaged goods (CPG) market, the window for new product acceptance is estimated to remain open for only six to twelve months. Our study wants to improve the understanding of drivers of new product (NP) success. We operationalize NP success via two metrics: the first-year level of purchases and the first-year trend in purchases of new CPGs, both at the level of the individual household.

These are the factors we assume to impact NP success:

- **Brand reputation:** we expect that new products introduced by reputable brands – as opposed to new products introduced under a less reputable brand name – exhibit greater first-year consumer acceptance (i.e., in first-year level and trend in purchases).

- **Newness:** the degree of newness affects consumers' willingness to adopt new products. One stream of research argues that moderately novel products are not less complex than really new products and not advantageous relative to incrementally new products. This might result in a U-shaped relationship between newness and adoption.

- **Market power:** since strong brands and powerful companies have more resources to spend on researching and effectively launching new brands (e.g. securing shelf space), their new products are expected to be more successful.

In addition, the effect of category concentration, the intensity of category advertising, innovation and new product activity as well as consumer characteristics on NP success are studied.

The analysis

In France, Germany, Spain and the U.K we randomly selected approximately 15% of all new CPGs launched in a two-year period, within a number of selected categories. This resulted in 104, 67, 56, and 74 new products respectively.

For every new product, we identified the number of items bought by each consumer in each quarter in the first year after introduction. On average, new products were tried by 6% of potential consumers. Average trial rates ranged between 3.5% in Germany and 8% in the U.K. However, these values vary substantially: some products hardly managed to generate a 0.1% trial, whereas others were tried by up to half of the households. The probability of repeat purchases, given that the product was tried, was on average 33%. The average repeat rate was lowest in Germany (27.2%) and highest in the U.K. (38.6%) – again with high variability in the results.

In terms of the drivers outlined before, we find that reputation, brand and market power positively affect trial and repeat purchase in all countries. High category new product intensity has a positive effect on trial, but a negative effect on repeat. Newness had a U-shaped effect on NP success indicating that really novel or incremental innovations are most fruitful.

The effect of concentration, advertising and promotion intensity varies between the four markets. Consumers who are more innovative (measured via a survey applying the dispositional innovativeness scale), younger consumers and larger households tend to adopt new products more quickly.

Conclusions

When comparing the impact of the various drivers, we find that product-related and competitive factors have a much larger effect on NP success than consumer characteristics.

However, this may stem from the fact that companies have not yet managed to effectively target consumer groups that are disproportionately innovative.

Products of either incremental or major newness are more successful than products of intermediate newness. This effect increases over time. Products of intermediate newness appear to be stuck in the middle: too high on complexity compared to products of incremental newness and too low on relative advantage compared to products of major newness.

Also, results suggest that companies might want to learn from consumers that are high on dispositional innovativeness. Previous research has indicated that these consumers are more curious, creative, and have a higher tolerance for ambiguity. This personality profile is less likely to reject really new ideas, while being more likely to come up with less conventional ideas themselves. They also have a considerably higher purchase level with respect to the new CPG in the crucial first year after launch.

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