

Introducing a new way of understanding consumers!

Kline *Pulse*

Consumer Insights of Personal Care Innovation USA 2010

1st Edition

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When developing and launching a new product, the brand marketer needs consumer insight to get the market positioning right. The kind of consumer insights needed is not possible to achieve with traditional survey techniques but would create a pathway to a brand's ultimate success.

Balancing its 50 years of market knowledge with a newly shaped consumer-centered insight research, Kline & Company is pleased to announce a groundbreaking study on consumer insights for personal care innovation. Subscribers to this Kline Pulse report get reliable Kline market research data and penetrating consumer insights gathered through a process that avoids pre-hypothesizing, categorization, or pre-determined demographic definitions.

The study addresses such questions as:

- What are the factors that make some brands successful?
- What are the consumer perceptions about innovation - both in existing brands and what consumers wish they could have?
- When innovation is important, to what types of consumer does it matter most, and why?
- Is it best for personal care companies to invest more money on R&D or marketing, and for what reasons?
- In what cases does innovativeness translate to sales growth?

Report Scope

Always, but especially in times of economic difficulty, it is important to know how to most efficiently utilize limited resources. Now more than ever, executives need to listen to consumers to understand why some brands succeed or lag behind and where to invest for the future in terms of research and development, as well as marketing.

But it is not enough to just listen to what consumers say. One needs to understand what they mean, and that understanding must not be tainted by expert bias. Kline & Company will be able to gain rich insights that are not possible with traditional survey techniques by incorporating the latest consumer research methodology from Cognitive Edge using an emergent process.

It is the first time this methodology is used in a project exclusively for the personal care industry. *Consumer Insights of Personal Care Innovation USA 2010* is an original analysis into the nuances of consumer experiences with regards to personal care products in the United States.

This forward-looking Kline Pulse study combines cutting-edge primary consumer research with Kline's market data. It provides a benchmark of relative innovation and identifies the patterns of consumer perceptions, motivations, and beliefs related to innovation in personal care. The research examines the consumer perceptions of brands in the major product classes: fragrances, hair care, makeup, oral care, skin care, and toiletries.

Personal care brand marketers face the challenge of trying to understand a highly fragmented group of millions of consumers. Consumer behaviors and interactions in the market are highly complex and influenced by a vastly connected and engaged world. Companies seeking to satisfy these customers will not be able to understand them by using traditional schemas or tools. However, using advanced consumer research techniques based on complexity science and backed by sophisticated software, it is possible to pinpoint key drivers and patterns underlying consumer behaviors and views. This mapping goes beyond profiling consumer attributes and can actually give snapshots of the interplay of drivers, circumstances, and perceptions.

Key Benefits

Subscribers are able to understand the underlying views of different consumer types regarding innovation in the products they use with the support of market data. This study allows subscribers to look at patterns of consumer perceptions and the aspects of brands that they like and dislike, providing feedback on product offerings and brand positioning. The Kline Pulse report enables subscribers to:

- Make crucial decisions about where to invest scarce research or marketing budgets
- Gain competitive advantage through deep consumer insight regarding personal care innovation. Know how your customers talk about your products to their personal circle
- Identify the types of consumers and within the contexts in which they are most enthusiastic about certain product innovations
- Formulate targeted marketing messages that most resonate with these consumers, based on understanding what aspects of brands resonate positively with which types of people
- Design tactics and strategies leading into successful brand concepts

Report Contents for each Regional Volume

1. INTRODUCTION

This section describes the format, scope, approach, and methodology of the report.

2. EXECUTIVE SUMMARY

This chapter summarizes the findings of the research and give conclusions. These findings will include:

- Key findings, comments and opportunities
- Analysis and comparisons across countries (for subscribers who purchase Asia or Europe reports or across regions for those who purchase the global study)
- Actionable recommendations so that the subscriber can take full advantage of the knowledge obtained.

3. RESEARCH PARAMETERS

Kline & Company describes the filters that were used to index the material gathered from the field. Filters are the basic unit of analysis used for making sense of all the responses gathered. These filters represent the sets of values that the charter subscribers wish to measure for consumers and for brands.

4. INNOVATION ANALYSIS

This chapter elicits consumer opinions on the innovativeness of personal care products. For the brands covered, the following research is conducted:

- Consumer perceptions of product category innovations
- How the above correlate to sales figures and growth
- Identification of the patterns of consumer perceptions, motivations, and beliefs related to the study's objectives

5. APPENDIX - CORRELATIONS

In this chapter, Kline & Company shows correlations between perceived innovation, influences for each country and related signifying questions.

The research results are also clustered and compared across product classes, as shown in Table 1.

Table 1: Product Classes Represented

- | | |
|--------------|--------------|
| ■ Fragrances | ■ Oral care |
| ■ Hair care | ■ Skin care |
| ■ Makeup | ■ Toiletries |

Some aspects of innovation which may emerge from this portion of the research as important to consumers include:

- | | |
|----------------|----------------------|
| ■ Ingredients | ■ Delivery systems |
| ■ Technologies | ■ Retail environment |
| ■ Packaging | ■ Advertising |

Methodology

Kline & Company is unmatched in our ability to gather hard-to-get market and competitive intelligence with a high degree of confidence. Kline's market analysis approach places the principal emphasis on primary research techniques to ensure that the foundation of business intelligence and insight is accurate, current, and reliable.

Combining our market and competitive intelligence with the most advanced consumer insight research methodology available, Kline will be able to offer our clients a unique service, filling a void in the market place. Kline's extensive industry expertise combined with the unique approach of Cognitive Edge will allow our clients a new understanding of consumer behavior.

Building on a substantial investment in time and money to understand motivation, intent and other aspects of human behavior, the Cognitive Edge methodology is based in the natural sciences. It is now being applied to complex issues relating to understanding consumers in areas such as purchasing, loyalty, and product innovation.

Experts will not give opinions as to what consumers think - this is gathered from the consumers themselves. By recognizing that consumers understand their experiences better than experts, and allowing those consumers to interpret their own material, we are able to provide in-depth quantitative analysis in research areas typically only quantified in a superficial manner, or covered by qualitative research alone.

This process avoids pre-hypothesizing, categorization, or pre-determined demographic definitions. The use of emergent research allows the groups to be discovered based on actual characteristics. In this study, Kline does not employ survey techniques, focus groups or traditional questionnaires. By using indirect questioning, and gathering the responses in a narrative format, Kline will be able to probe much deeper. The material gathered contains not only the respondents' experiences, but also nuanced insights into their views in the context of real experiences. These details enable the content of the responses to be understood. The result is a statistical analysis of the patterns of the responses, which can be drilled down to examine the qualitative narrative underneath the numbers.

The research team designs a Signification Framework* (see next page for example) that is carefully set up to reveal deep insights around the general domain inquiry, in this case understanding consumer perceptions on innovations in personal care. After a respondent shares a story, they then answer a series of signification questions about their story, which not only interprets the content but adds layers of meaning to the content itself. As these interpretations aggregate over hundreds of entries, emergent effects can be identified and explored across large volumes of data using software.

What is Signification Framework?

Imagine that we want to measure brand loyalty of consumers to various brands. We will survey different consumers across ages, ethnic groups and countries to provide input as a response to prompting indirect questions about the products they use. For further diversity, we can also ask questions of industry participants. For the stories submitted by all of the participant groups, we would use a signification framework - a set of structured questions related to the values desired to be measured. Below is an example of a signification element:

Signification Element Sample

How attached is the primary person in the story to the product or products?

Does not matter: can take it or leave it



Loves it

Can't stand it

The triangle above, referred to as a triad, is an example of a question designed for a research objective (invented for illustrative purposes here). The respondent drags the circle to the area in the triangle that matches his opinion. The way respondents place their stories in this shape across the participant groups and other questions such as the multiple choice emotion question below, provide deep insights into how the people feel about their stories.

The emotion of the story is...

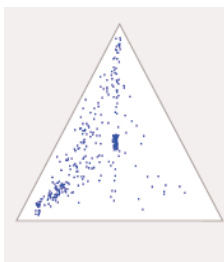
- strongly positive
- positive
- neutral
- negative
- strongly negative

Looking at outputs, we can see how the placement of the story contexts map onto the signifier framework elements to reveal different perspectives. The output diagram below shows the perspective of one group of consumers regarding one brand.

Each dot represents a story, and as such they can be viewed individually when the user wants to see which stories make up the cluster. In the example below, the perception of the consumers is skewed towards strong positive feelings.

We can select stories in each pattern area and contrast the themes and the content of the stories to arrive at a better sense of the influencing factors driving the perceptual differences. One can also monitor stories over time to see shifts in perception and hence see impact changes of marketing efforts over a period of time.

Does not matter; can take it or leave it



A group of multiple outputs like this, together would make up the Landscape Model.

Loves it

Can't stand it

Kline Credentials

Kline is a worldwide consulting and research firm dedicated to providing the kind of insight and knowledge that helps companies find a clear path to success. The firm has served the management consulting and market research needs of organizations in the chemicals, materials, energy, life sciences, and consumer products industries for over 50 years.

Kline's research and consulting services extend across the entire personal care industry value chain. Our solutions have helped clients develop better ways to create and profit from new business opportunities, respond to competitive and economic threats, improve productivity, achieve sustainable growth, and optimize performance. Kline provides clients with facts, forecasts, and recommendations based solidly on the realities of the market.

Our market research reports and services are designed to provide subscribers with a deeper understanding of their markets, an outlook for their business, and accurate information about their competitors. Our clients tell us they often use Kline's market research to validate their own internal analysis, and many clients rely on Kline reports as their most critical source of information.

Recently published or in-progress research for the Consumer Products industry includes:

- Cosmetics & Toiletries
- Natural Personal Care
- Professional Skin Care
- Beauty Retailing

Cognitive Edge Credentials

Cognitive Edge and its practitioner network have worked with multinational corporations and governments in Asia, Europe, Africa, and the United States on understanding human behavior and large population dynamics and influences.

Dave Snowden is the founder and chief scientific officer of Cognitive Edge. He is generally considered a pioneer in the application of a science-based approach to organizational decision making, drawing on anthropology, neuroscience and complexity theory. He led the development of narrative as a research method. His work spans government and industry dealing with complex issues and intractable problems relating to strategy.

Mr. Snowden was previously at IBM, as the director of the Institution for Knowledge Management and founded its Cynefin Centre for Organisational Complexity. He was selected by IBM as one of the six "on-demand" thinkers for a worldwide advertising campaign.

His Harvard Business Review cover article in November 2007 with Mary Boone, *A Leader's Framework for Decision-making*, was selected as the 2007 Best Practitioner Paper by the Organizational Behavior Division of the Academy of Management.

For more information about this study or Kline's other services, e-mail us at sales@klinegroup.com, visit our website at www.KlineGroup.com, or contact us at any of our regional offices listed below.

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