

Bringing you closer to the Consumer



Potential estimation – using Simulator

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Simulator is a probability based model to assess potential estimation for a new product / brand launch. This model works on using primary research and tying it up with universe estimates from secondary data and brand targets as planned by the marketer.

Deliverables

Key outputs from this model are :-

- a. Trial percentage amongst the target group that the brand concept can attract
- b. Adoption percentage and repeat usage frequency that the product exposure can attract
- c. Profile of consumers who are likely to adopt the brand / product
- d. Projected volumes that the brand concept can attract given the caveats

This note details how the model works, inputs it uses and how it processes the inputs to give the deliverables listed above.

A) Inputs into the model

Key input for the model is primary research. Apart from primary research, it uses universe estimates from secondary sources and brand targets as decided by the marketer. The inputs into this model are listed herewith:-

- 1) Primary research to estimate the under-mentioned
 - a. Trial probability for concept – for each individual in the target group
 - b. Repeat probability for product– for each individual in the target group
 - c. Adoption probability for the total offering – bases above 2 estimates
 - d. Repeat usage frequency – for each individual in the target group
 - e. Entrenchment in current choices – to arrive upon correction factor

- 2) Brand targets as decided by marketer
 - a. Target markets – in terms of geography, zones, town classes etc. For some categories only metros might be targeted while for some categories, all urban population might be targeted or all population might be targeted
 - b. Target group of customers – in terms of profile of customers. For some brands might target upper socio economic groups, some might target youth etc. This need to be decided so that universe size can be estimates for the same.
 - c. Brand reach targeted or the brand communication – Eventually all potential for the brand will come from within the target group size made aware of the brand. Therefore, this needs to be decided by the marketer and is used in the model
 - d. Distribution reach targeted for the brand – Distribution reach eventually impacts retail pick up of brand. Therefore, this also is used as input into potential estimation exercise. For limited geography targets, distribution target could be 100% and hence might not impact potential but large spread geography targets might not be able to achieve 100% distribution target and hence it is important to use this input for potential estimation.

- 3) Secondary research estimates for the under-mentioned
 - a. Universe size **of target group in the target market** as identified above
 - b. Category size (for existing categories) **in target market** as identified above

B) The Process – arriving upon raw potential estimates

Primary research is used for arriving upon raw potential estimates. Key to the model is that it takes feedback to pricing and intention to buy the brand / product for self / household, post concept and product exposure.

Detailed process of this data collection in primary research is given herewith :

- Recruitment of respondent in place of convenience
- Frequency of category consumption
- Ascertaining brands consumed in category in last 1 month
- Ascertaining current consideration set of brands and first choice
- Assessing entrenchment in the first choice

Exposure to new brand concept

- Taking feedback to the concept
- Feedback to pricing – for each product at given price level
- Intention to try – for each product at given price level

Exposure to new product – actual product experience / taste etc

- Taking feedback to the concept
- Feedback to pricing – for each product at given price level
- Intention to try – for each product at given price level
- Heaviness / frequency of consumption – of the total usage / consumption occasions in a month, on how many would he / she use / consume the new brand that they have tried
- New brand concept presented along with other brands in consideration set – most preferred brand choice

From this process, we will get estimates for the new concept.

- *Trial estimate - % of TG that claims as interested in buying into the concept at concept exposure*
- *Repeat estimate - % of TG that claims will purchase each of the products of the new brand on a regular monthly basis*
- *Brand Adoption Share = Trial % * Repeat %*
- *Brand Consumption share = Brand Share * share of occasions for the new brand*

C) Correcting raw potential estimates for over-claim

Simulator is a probability-based model, which rests on the basic belief that target customers, always over claim on the side of giving more positive feedback. This stated feedback is scaled down to eliminate the effect of respondent over-claim in research scenario.

For correcting this self over-claim, we append a simulated shop module, wherein **consumers are asked to make a choice wherein existing offerings in the consideration set and the new offering being tested are shown together**. Those selecting the new brand here are corrected positively on adoption probability.

Additional to this modeling, we also believe in building category context into the model and arriving upon potential for the new concept taking into consideration the category nuances. In categories which have very strong brands, when TG is exposed to a new concept, depending on appeal of concept, we often may get positive responses. However, at time of actual purchase huge equity of the leading brand takes over and actual conversion might not happen. To overcome this effect, we take entrenchment in current first choice right in the beginning before exposure to the new concept. Adoption probability for new brand at respondent level is corrected by his entrenchment to his current choice of brand.

D) Correcting estimates for brand reach – communication & distribution

This estimated potential (yet as a share or percentage) applies, provided communication of the new concept reaches every individual in the target group. Therefore, we need to down-weight the expected potential by estimated reach of communication. For instance, if projected potential is 20% at universal salience and the client's objective is to reach 50% of TG with the communication, estimated potential is 20% in this segment only and therefore only 10 % of the entire TG.

Similarly, this is also affected by targeted distribution. Retail pickup is directly dependant on on-shop availability. Therefore, estimated potential is also down-weighted by targeted distribution. For instance, if projected potential is 20% at universal distribution and the client's objective is to have distribution reach of 80% of TG, actual retail pickup will happen for 16% only.

E) Projecting to sales volumes

At step D, we have assessed corrected percentages of

- a) *User share of the new brand in the target group*
- b) *Consumption share of the new brand in the category volumes*

These percentage estimates of consumption share can be converted to actual expected volumes which could sell for the new brand. For this projection, 2 routes are used to ensure that both estimates are converging. These are detailed herewith:-

- 1) Project user share to the universe of users to arrive upon total projected users / adopters for the brand. Then applying heaviness of consumption, this is projected to total projected volumes for the brand.
- 2) Consumption share estimated as above is directly applied to category volumes to arrive upon projected volumes for the brand

If these estimates converge they can directly be accepted. If they do not, then the differences are to be explained (like probably the category is on a growth path, or there are additional volumes in the category coming from out of the core target group identified etc).

F) Caveats

The estimated potential is thus, dependent on various factors, apart from outputs from primary research. Output needs to be looked upon as indicative estimates for go-no go decisions and for enhancing the acceptance of brand mix. Actual volumes for the new brand could vary dependant on various factors like:

- Actual ad delivery could be different from the concept exposed
- Actual product delivery could be different from the tested product
- Product feedback could change after multiple consumption occasions
- Final packaging might be different from the sample tested
- Communication / distribution reach might not be as per the targeted

F) Our experience

We have used 'Simulator' to estimate potential for brands in categories like – FMCG brands, mobile phones, mobile connection plans, cars, batteries, PCOs (Pest Control Operation), alternate lighting solutions, real estate etc.