



## Cross-category innovativeness as a source of new product ideas: Consumers' perceptions of over-the-counter pharmacological beverages

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### ABSTRACT

The borders between food and beverage, pharmaceutical and consumer healthcare industries have become increasingly blurred concurrent to the development of 'radically innovative' health-enhancing foods and beverages within the health and wellness market. This research investigated consumers' attitudes and perceptions towards cross-category innovations, and applied it to the design and strategic marketing of novel over-the-counter (OTC) pharmacological beverages. Fifty-eight consumers participated in 10 in-depth interviews and six focus groups. Following this, 286 respondents evaluated hypothetical OTC pharmacological beverage concepts through conjoint analysis. The research revealed that the functional benefit attribute accounted for over 33% of consumers' purchase intent for OTC pharmacological beverages, with age and OTC-related purchase behaviours strongly related to cluster membership. Consequently, as companies move towards the extremes of the diet-health continuum, branding, product efficacy and product positioning strategy issues become extremely critical considerations for companies seeking new product opportunities with medicinal-oriented products such as OTC pharmacological beverages.

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### 1. Introduction

Concept ideation and generation represent the earliest stages in the new product development (NPD) process and entail the generation of new product ideas from various internal and external sources. Identifying new product ideas can best be viewed in terms of a product development continuum with incremental new product ideas, such as line extensions, at one end of the continuum and 'radically innovative' new products at the other extreme (Craig & Hart, 1992). Radical innovations by their very nature are dissimilar to existing products or services, highly differentiated, and therefore offer potentially superior competitive advantages in the marketplace (Atuahene-Gima, 1996). However, while 'radically innovative' new products offer potentially greater rewards to both consumers and manufacturers, the level of risk increases along the product development continuum (Craig & Hart, 1992). In that sense, from both an operational and NPD management perspective, concept ideation and generation have also come to represent the most critical stages in the NPD process for new product success.

The broad health and wellness market was chosen for this study given that, both domestically and internationally, it has realised high levels of NPD activities in recent years. In addition, the health and wellness market has come to represent an important strategic and operational orientation not only for food and beverage compa-

nies, but also speciality ingredient, pharmaceutical and consumer healthcare manufacturers. More so, the borders between food and beverage, pharmaceutical and consumer healthcare industries have become increasingly blurred concurrent to the development of health-enhancing products, such as nutraceutical and functional foods and beverages, within the health and wellness market. This paper specifically explores 'radical' cross-category innovativeness as a source of new product ideas, from the consumer's perspective, taking the development of medicinal beverages such as over-the-counter (OTC) pharmacological beverages as an example. In this paper, 'cross-category innovativeness' refers to companies seeking to identify and source new product ideas and concept platforms from both related and unrelated product categories.

Cross-category innovativeness with OTC pharmacological foods and beverages should certainly appeal to food and beverage companies in terms of adding value, and higher price premiums associated with branded OTC pharmacological products, to otherwise conventional foods and beverages. However, generating new product ideas based on innovation trends in non-food product categories would also be expected to present challenges and a high level of risk to companies. Indeed, the notion of 'radically innovative' medicinal foods and beverages would most certainly open a Pandora's Box in terms of new product design, consumer behaviour, and a range of strategic marketing issues including ethical aspects of marketing OTC pharmacological beverages. This would be due to shifting the focus of health-enhancing foods and beverages away from their current health, lifestyle and wellness

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proposition ('life marketing'), back to their intended positioning proposition vis-à-vis the disease prevention concept. Therefore, a key objective of this research was to explore some of the main challenges food and beverage manufacturers might face when bringing 'radically' innovative medicinal foods and beverages to the marketplace, taking functional foods and beverages as a 'reference point' given their relative proximity on the diet-health continuum. The research presented in this paper formed part of a larger multi-disciplinary NPD project conducted by researchers from the Departments of Food Business and Development, Food and Nutritional Sciences, and Process and Chemical Engineering at University College, Cork, Ireland, and the Department of Food Science at University College, Dublin, Ireland.

### 1.1. Background to the research

With increased levels of competition across health and wellness categories in recent years, companies have attempted to further differentiate their brands through creative segmentation and product positioning strategies, on the basis of superior functionality (Mellentin, 2007). For example, in the functional beverages category this has been evident by the increased number of new product introductions launched with multi-functional ingredients such as probiotic cultures and multi-vitamins. These include: Yoplait's *Everybody* and Muller's *Vitality* and *ProCult* ranges (Hein, 2005; Howell, 2006; Leatherhead Food Research Association, 2004a; Mellentin, 2007).

Cross-category innovativeness represents an important source of 'radically innovative' new product ideas driving concept ideation and generation within health and wellness, and especially across nutraceutical and functional food and beverage categories. Hehn (2001) describes this as '*blurring between categories*'. This not only refers to companies diversifying into new categories, but also the movement of health-oriented/functional ingredients both across, and between, food and beverage categories. A small but growing number of companies appear to be looking outside food and beverage categories towards non-food OTC categories for new product ideas. An example of this is the emergence of functional cosmetic foods and beverages. These are a broad range of products containing active ingredients that provide anti-ageing or cosmetic-enhancing benefits (Leatherhead Food Research Association, 2004b; Uctas & Baker, 2006).

A logical step for food and beverage companies, in terms of sourcing 'radical' new product ideas, might be to move towards the extremes of the diet-health continuum with medicinal products such as OTC pharmacological foods and beverages. OTC pharmacological foods and beverages represent both category creation and category substitution market entry strategies for food and beverage and consumer healthcare companies, respectively. The notion of OTC pharmacological foods and beverages may be acceptable to consumers given that consumer healthcare companies have leveraged cross-category innovativeness to deliver new brand and line extensions in lozenges, sprays and capsules targeted at colds and influenza, and as analgesics. These include GSK's *Panadol Cold and Flu* range, Wyeth's *Anadin Max Strength* and *Tramil* capsules, and more recently, Reckitt Benckiser's *Lemsip Max* and *Max Sinus* capsules (Datamonitor, 2007a, 2008; Mintel, 2005). However, strategically orientating towards the extremes of the diet-health continuum through the development of OTC pharmacological foods and beverages would raise two important issues for consideration by the food and beverage industry. Would consumers accept OTC pharmacological beverages marketed by food and beverage companies? What challenges could food and beverage companies expect in terms of new product design and strategic marketing of medicinal foods and beverages? A review of the substantive NPD issues which food and beverage companies

face as they move along the diet-health continuum from conventional to functional foods and beverages could provide valuable insights into the challenges they might face when bringing OTC pharmacological foods and beverages to the marketplace.

### 1.2. Technical and marketing challenges to cross-category innovativeness

An increased technological orientation is necessary where firms wish to develop innovations superior to their competitors (Gatignon & Xuereb, 1997). Indeed, the growing importance of a technological orientation is reflected in changes to the management and organisation of NPD activities according to best practice. Specifically, adaptations of the stage-gate process now place a greater emphasis on projects with high market potential, and provide for a more flexible process unique to each project, i.e. incremental versus radical innovations (Cooper, 1994a). However, Song and Parry (1997) and Cooper (1994b) cautioned that firms with a strong technological orientation also required a strong consumer focus due to the high level of risk associated with radical innovations, to reduce the degree of incompatibility of radically new products, as well as the need to remain differentiated from competitors, from the consumer's perspective. Indeed, it is generally accepted that consumer acceptance of 'radical' innovations is slower than for 'incremental' new products, which presents enormous challenges to companies from both a technical development and strategic marketing perspective (Retail Merchandiser, 2007; Westrate, van Poppel, & Verschuren, 2002). In particular, 'radical' innovations, which involve the creation of previously unknown products, tend to require new consumption patterns on the part of consumers, and therefore, involve considerable risk due to latent and unarticulated consumer requirements (Craig & Hart, 1992; Hisrich & Peters, 1991).

More so, an analysis of market and consumer insights would suggest that radical cross-category innovativeness introduces a high element of risk for food and beverage companies. For example, while plant stanol esters and probiotic cultures have successfully made the transition from spreads and yoghurts to dairy drinks, probiotic juices such as Valio's *Gefilus*, Skane's *ProViva* (1 l carton) and *ProViva Shots* (250 ml bottle) have been relatively less successful in selected European markets (Dairy Foods, 2004; Dairy Industries International, 2005; Leatherhead Food Research Association, 2004a). Similarly, while the market for supplements that target cosmetic benefits appears well established, it remains to be seen whether functional ingredients that confer cosmetic-enhancing benefits can make the successful transition to foods and beverages (Uctas & Baker, 2006). Indeed, outside of Japan, functional cosmetic foods and beverages such as Coca-Cola's *Love Body* made from red oolong tea with dietary fibre, and Danone's *Essensis* which contains Omega-6 and Vitamin E, appear to represent a niche market opportunity (Datamonitor, 2007b; Food and Drink Europe, 2006; McClain, 2006; Mortimer, 2005).

There are a number of product design and strategic marketing challenges facing companies pursuing cross-category innovation strategies with functional foods, which given their position on the diet-health continuum, would be relevant to OTC pharmacological beverages. These can be grouped as follows: predicting where consumer demand can be expected in terms of functional benefits (Gray, Armstrong, & Farley, 2003; Sorenson & Bogue, 2005a); identifying consumer groups to target with new and innovative products (Sorenson & Bogue, 2006, 2007; Wennström & Mellentin, 2003); identifying optimal product design and pricing strategies (Sorenson and Bogue, 2005a, 2006, 2007; Wennström & Mellentin, 2003); and developing effective positioning and communication strategies (Bistrom & Nordstrom, 2002; Wennström & Mellentin, 2003). In addition, the identification of compatible

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