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What Are the Hottest New Product Trends of 2009?

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- Elaine Wong



Walgreens chief innovation officer Colin Watts was in town this week to host a jury preview of the upcoming Product of the Year awards, an annual consumer-driven competition. This year's entrants include packaged goods giants like Procter & Gamble, Colgate and Dr Pepper Snapple Group. Contestants are judged on the innovativeness of their packaging, design and function. Winners will be announced at a gala in February, and recipients typically tout the honor in new marketing and packaging. According to Product of the Year, the organization that gives out the awards, brands usually see a 10 to 15 percent sales lift just from incorporating the award in in-store and on-air marketing. Watts, who serves as this year's jury chair, spoke with Brandweek about some of the new product trends among the current round of recipients, how the recession has impacted new product development, and also what the drug store chain has been up to recently. Excerpts from that conversation are below:

Brandweek: What are some of the common themes you're seeing—in terms of innovation—among this year's Product of the Year contestants?

Colin Watts: A lot of interesting themes are coming through in terms of the various different contestants that I've seen so far. One is, you're seeing this area that I call "micro-segmentation." You're seeing products that are getting very, very good at understanding what are the unique target segments for consumers and unique target needs within consumers. So, the days of creating these broadly based products are over. You're now seeing people getting very, very smart about where they're going.

The other thing is, I think you're seeing real back-to-nature trends. You're seeing lots of products that are coming forth and advancing their greenness and their naturalness, which is a big trend with consumers as well.

What's very interesting as you look across a lot of the products is value. And, it's not that [the manufacturers] are posting value on the front of their products, but very subtly in terms of the way they're pricing their products, the quality of the products, what they're comparing the experiences [to]. They're really trying to bring value to the consumer without necessarily sacrificing the price point itself. So, this could still be a premium priced product. There are some examples of that . . . the [at home] espresso-making machines and so on. They actually represent a great value to going out and getting a coffee or espresso drink in that they replicate the espresso bar [experience] by bringing it home. You're seeing a lot of CPG manufacturers getting very smart about that.

The other thing that you're seeing is an extraordinary design centrality. It's amazing when you step back and think about it. Who would have thought that we would have been so focused on

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design...in a category like cleaning products? We're living in an age where we're starting to see design permeate everything, so it's no longer just the iPod that is necessarily the pinnacle of design. We're starting to see it in household cleaning products, in skin care, and in a lot of other areas.

BW: Has the recession caused packaged goods marketers to define innovation differently, and if so, how?

CW: What I see among the big, major consumer packaged goods companies is marketers know that no matter what the economy is like, their success is predicated on coming forward with new innovation year after year. And the entrepreneurial start-ups also know that frankly, [hard] economic times or not, if they have an idea or innovation, they need to market it and they are looking at this situation as basically, even though it'll be a bit more challenging for some of the products that are premium-priced, they recognize there's an opportunity to actually push their innovation in the marketplace itself.

I do think more than ever, we at Walgreens are seeing people being very careful and watching what their price points are. There used to be a tradition that if I introduced something new, I would always ask for a bigger premium from the consumer for it. What you're seeing now is innovation that goes in the other direction: I'm actually trying to find a way to reduce that opening price point. I'm trying to make this something that is more value-oriented for the consumer because it's very difficult in today's environment to introduce a brand new product that is meeting an unproven need and price it really high and expect people to jump on it.

BW: Are we seeing more line extensions or new brand launches among this year's contestants?

CW: You're seeing a little bit of both. It's very expensive in this day and age to introduce new brands. So, we have a couple of examples here of companies that are creating brand new brands, and having done that a few times before in my career, you really have to know what you're doing and you have to be sure that you're spending your money wisely because the consumer can only handle so many new brands.

On the other hand, what you're also seeing is brands that are entering into new categories and thinking about themselves as a brand in very expansive ways. Procter & Gamble has a lot of entries this year and they've got so good at starting to think about a brand like Mr. Clean and new categories that it can get into that we, 10, 15 years

ago, would have never imagined putting it in.

BW: Given the fact that many retailers like Wal-Mart and Target are pushing their own private label lines, do you think there's still room for innovation from branded goods manufacturers in the store, and if so, what kind?

CW: Walgreens prides itself in the quality of our store brands and we spend a lot of time and care designing those store brands with vendors that we partner with, making sure that they're priced at the best possible level for the consumer and continuing to make sure that we refresh them, so that we have new innovation within our own set. That being said, I think we and everyone in the retail space knows that branded manufacturers will always set the high bar in terms of where innovation will go, and our business would be nothing if we weren't working with these branded manufacturers on a very close partnership level, to help them build their brands and then make the decision, where it's appropriate, to introduce value within our store brands in some of those categories as well. Our hope and goal always—and other retailers, I think, would say this—is, “We would like to seek out the right value proposition win.” The consumer is very smart. They see the unique, branded value proposition that might be a little more expensive, but if it fits their needs, they're willing to put up that money. If there's not a lot of differentiation, if the product out there is fairly “me, too!” they might choose to go the store branded direction. In an economy like what we're seeing today, you're seeing a lot of consumers make that choice in certain categories.

BW: O.K., switching gears here. Walgreens most recently rolled out a campaign, carrying the tagline, “There's a way,” positioning itself as a one-stop


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shop. How is that effort resonating with consumers? What kind of response/ROI have you seen with that?

CW:



I give a lot of credit to Kim Feil, our chief marketing officer, and the work she and her team have done in creating this new campaign for Walgreens. I think it's very fresh, I think it's very contemporary and I think it's true to the heritage of Walgreens.

Walgreens has been a place in all the communities where we serve—there are 7,000 stores across the country—where people know that they can find lots of different types of solutions in their local Walgreens, but increasingly, what we're seeing from people coming to Walgreens is they really think about us as a real health center in the community. What we're focusing on, and you can see this in our new campaign, "There's a way," is, we had a tremendously successful campaign featuring our CEO, Greg Wasson, talking about flu shots. We have a new campaign that's out right now about the role of the pharmacist and the counseling that the pharmacist can give. And the beauty of the "There's a way" campaign is it's so flexible. It's a real umbrella campaign that, if you're a brand as big as Walgreens—which is really important as you develop a campaign like this—is to make sure that during the campaign, it's a house that's built with a lot of different rooms and that we can emphasize different parts of the Walgreens experience and still all [tie] it back to the master brand of Walgreens—both in store and what we're doing in terms of signage and on air. I think the campaign that Kim and her team have put together is just fantastic.

BW: If we look at the store itself, which categories are you seeing consumers cutting back or spending more on? In which categories are branded goods still holding strong?

CW: It's tremendously varied across all the different categories. It's changing very rapidly. This recession that we've been in and the way the consumer is responding, it differs in almost every

part, and almost, month to month, we're seeing differences. What I'd start with is to say that we're proud at Walgreens that even though we're in the middle of a very difficult economic situation, we're investing in the shopper experience of our stores. We have an initiative that we're calling CCR, [Consumer Centric Retail]. That initiative is really all about the shopper experience. We're in the process of rolling that out across different parts of the country and we're planning on going nationwide over the next 12 months. And what's terrific about the opportunity is it's allowing people to come into Walgreens and see Walgreens in a whole new way. We're retaining the parts of Walgreens they love the most, but we're lowering the height of our store shelves so people can see across the store and where the pharmacy is, and where we have them, they can see our Take Care retail clinics, with our nurse practitioners in them, and they can also see where all of the different categories are with new signage that we put into all of our stores. We've reduced our assortment, in that we've actually got a simpler, easier to shop assortment. And we've built adjacency, so that if you're a mom with a baby at home and you're now looking for all of the different products that would surround that baby's needs, we have them in the same part of the store now. You no longer have to go to 10 different parts of a Walgreens to find them. They're all in one place. That seems simple, but it's a radical new way of configuring your drug store.

What you're seeing, though, in terms of the shopper behavior, we're seeing consumers are much more focused on their immediate needs. They're trying to be very wise about the way that they're spending their money. It really plays to a lot of Walgreens' strengths because we think of ourselves as "in the community" and a store that always has the

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affordable essentials. So that you know when you walk into a Walgreens, it'll be exactly the right price and the product that you want. So, no longer are people going out there and spending hundreds of dollars for their weekly shopping trips. They're filling in only those products that they absolutely need to put into their home and we think we're uniquely positioned to play that role as people are going about their shopping experience.

BW: The next big holiday coming up is Halloween. What are you anticipating in terms of sales?

CW: We anticipate a very strong season this year. You never quite know until you get into the middle of it, but we are readying our stores to have a high degree of in-store entertainment. So, when you come in and it's the Halloween season, you feel like you're in the middle of a store geared towards Halloween. We're pricing all of our products and making sure they're displayed right at the consumer's fingertips, so they can get what they need to be able to fulfill it. We're making sure we represent all of the key needs for that season. If it's Thanksgiving, there are certain sets of categories that are important to you when you're in your Thanksgiving shopping mode. If it's Halloween, it's candy, but there are a lot of other things around candy—costumes, ornaments—other things like that that we're already making sure that we're capable of doing.

What all retailers are seeing this season is we're seeing consumers put off their shopping visits until later than they normally would in this seasonal experience. In the past, we were seeing consumers stock up for Halloween months in advance, but we're now seeing consumers put off that purchase until the actual day of. We're anticipating a very, very big week this week for Halloween. We expect we'll see the same for the other holidays we're getting into.

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