The Art of Generating Insight

Differentiating “must-have” from “nice-to-have” information
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THE ART OF GENERATING INSIGHT
DIFFERENTIATING “MUST-HAVE” FROM “NICE-TO-HAVE” INFORMATION

Today’s information consumers, and in particular market analysts, marketers and strategists, need to make sense of the sheer volume of data thrown at them from many sources.

For consumers of market research, there is an inherent need to filter out “nice-to-have” information and work with “must-have” knowledge, allowing them to identify information that is most suited to their needs.

Their needs will often vary depending on:
- The type of business they’re in
- The geographic focus of their operations
- The intended end-use of the information

The differences in informational needs listed above are by no means exhaustive. However, even these few examples show the varying degree with which information is sought out and used.

DEFINING THE GOAL OF YOUR RESEARCH

So far we’ve established when it comes to “must-have” information there is no “one-size-fits-all” solution. But is it possible to provide a majority of market research clients with something they would value as “must-have?”

There is consensus amongst Euromonitor’s clients that to be successful they need to be truly innovative and able to grasp the inner nature of things. In brief, they need insight. Therefore, to deliver “must-have” information we must produce insightful analysis.

Dictionaries state that insight is the act or result of apprehending the inner nature of things (νόησις). It stands for an introspection; the power of acute observation and deduction, penetration. It also denotes an understanding based on identification of relationships and behaviours within a model, context, or scenario. Insights are also referred to as “flashes of inspiration” or “penetrating discoveries”.

There is a lot of talk about insight and insightful analysis. What is the process of insight generation? How to deliver a “ευρεκα” experience to the clients?

Fundamentally, what businesses are trying to understand is the same: what makes relationships between consumers and brands strong? Based on this understanding, companies make various decisions such as new market identification, new channel exploration, supplier evaluation, new product development, and so on. However, research can range from processing local consumer insights and holistic consumer understanding to trend research and new product concept assessment. Therefore the process of insight generation starts with identifying the focus area.

At this stage, some questions that might come up are:
- Is there a potential market for the product /brand?
- What is the best way to seize the opportunity for the product /brand?
- Has the full potential for the product /brand been realized?
• How is the current strategy failing the product/brand and why?
• Has the end goal of current product/brand strategy been achieved? If not, what are the challenges that prevent it from doing so?

IDENTIFYING A METHODOLOGICAL APPROACH THAT WILL BEST MEET YOUR OBJECTIVES

The next step is to decide on the methodological approach. At Euromonitor International, for example, we use a combination of descriptive and causal research.

As Euromonitor produces various market research studies on consumer goods markets worldwide, complemented by socio-economic and demographic statistics, the descriptive approach is ideal. This approach allows us to outline main market characteristics:

• Size of the market
• Main segments
• Channels of distribution
• Available alternatives
• Price movements
• Competitive environment

It also helps to identify:

• The relative balance of factors influencing a market’s performance
• Companies whose internal positioning and strategy have the best fit with the issues in their external marketplace
• Brands that have the highest profile among consumers and how those positions of strength are sustained (and where a brand is losing share and why)
• Changes in distribution patterns and shopping habits and subsequent impact on the current and future shape of the product market
• Different possibilities for future market performance
• Current trends which will grow in importance and which will be less relevant over time; and which new factors may come into play

Descriptive research provides a rich background and a starting point for the causal research where the focus shifts from the question, “What is happening in the market?” to “Why it is happening in the market?”

LOOKING BEYOND THE DATA: DATA INTERROGATION

There are many ways to produce insightful analysis to understand why markets behave in a particular way. Here we will look closer at compare and contrast data interrogation, perhaps the most common, but also one of the most powerful.

This approach can be used as an “introspective,” “extrospective” or even “retrospective” way of getting to the insight:

• “Introspective”: Digging deep into the industry, category, subcategory data
• “Extrospective”: Looking outside the industry and finding parallels and commonalities
• “Retrospective”: Analysing the past to find answers for the future
Looking inside: Introspective data interrogation

Introspective data interrogation allows analysts to gather and dissect information within their industry. When taking this approach analysts should consider:

- What are the commonalities to growth?
- What are the exceptions to this?
- What does this tell us about the market?

Case study 1: Exceptional success of Brand A in functional powder milk in a South-East Asian country.

Key Objective: To quantify growth prospects for functional powder milk in a South-East Asian country

At the time of research, Brand A was available in a number of countries in South-East Asia and was mainly distributed through the chemist/pharmacy channel. The analysed country represented another strong market for Brand A, where it was the largest brand of powder milk by retail value.

In 2007, Brand A accounted for 30% of the country’s powder milk retail value sales, an increase of four percentage points from 2001. In absolute terms, retail value sales grew by more than 150% between 2001 and 2007.

At the time, Euromonitor International forecasted solid growth prospects for this brand despite the fact that its availability was primarily limited to the main urban areas and its unit price was higher than average for the local market.

The forecasts turned out to be correct because our analysts were able to grasp the inner nature of the brand’s performance.

First our analysts reviewed all obvious reasons for the brand’s exceptional success in the market such as first-mover advantage, marketing support for the brand in the form of media advertising and promotional gifts, such as baby toys and accessories, and a focus on more affluent urban consumers.

All these drivers were valid but didn’t go far enough to explain the causality of success. If the combination of the above reasons would be enough to secure success, other powder milk brands offered by multinational players in the same market, with similar marketing support, distributed through the same channels and focused on urban consumers would do similarly well.

However, data was showing that other multinational brands didn’t do as well, even whilst offering their products at a lower price.

Our analysts compared and contrasted long- and short-term strategies and local tactics of the two brands with similar positioning and discovered that Brand A built strong connections within the medical community in the country and local doctors frequently recommend the brand to expectant mothers, giving it added clout among consumers. This aided Brand A’s strong performance and contributed greatly to its success.
Looking outside: Cross-industry comparison and insights

On the different end of the scale is cross-industry comparison. The aim is to look outside of one’s own industry and category to find new ideas and concepts. While gathering and dissecting information, one should consider:

- What industry might be related/important to the industry I’m analysing?
- What trends and ideas drive this related industry?
- What can be successfully brought over and mirrored in my industry?

In short, looking outside one’s own market provides fresh ideas and new angles for innovation. Attempting to compare something that at first glance looks incomparable can actually lead to insightful analysis.

Case study 2: Pet humanisation and pet product innovations driven by health and wellness trend

Key Objective: Identify future prospects for pet food product innovations driven by health and wellness trends worldwide

For a number of years, Euromonitor International observed increasing pet humanisation. Pet owners in a growing number of markets now think the food they give their pets has to be at least as good as the food they eat themselves.

The pet food industry responded by increasing the focus on premium offerings. Health and wellness-oriented pet food and pet care products now represent one of the biggest components of the overall premiumisation trend. Product developments like all-natural and organic pet food have followed similar trends in human food.

Without a doubt, health and wellness-oriented pet products are key component to generating sales in the industry going forward. However, how can we forecast the direction the market will take in a particular country? Which new “hot” ingredients will be introduced next in the pet food market?
To get insight, our analysts looked into human food:

Pet food products fitting into the various human health and wellness categories above already exist. However, where do they have the best chance of succeeding?

Our analysts believe that organic pet food, for example, will be well received in markets where organic human food is already mainstream:

Similarly, based on insights generated from human food analysis, our analysts identify ingredients that can be successfully introduced in pet food. For example, the illustration below shows some of the leading nutraceutical trends and underlying ingredients in human packaged food, which are also tipped to become more relevant for pet food and pet care products manufacturers.
Using relevant datasets from human packaged food and consumer healthcare industries as a base of comparison helps to fine-tune opportunities in fortified /functional pet food by geography. For example, if a particular ingredient is doing well in human food, it is likely to be well received in pet food, too. The illustration below identifies geographic opportunities for pre/probiotic and fish-oil-fortified pet food.
Case study 3: Opportunity Zones for Commercialised Packaged Drinks

Key Objective: To identify and quantify geographic opportunity zones in commercialised packaged drinks

Our analysts started investigating the importance of packaged drinks for humans’ daily need for fluid. By taking 2.2 litres a day as a conservative estimate of the recommended liquid intake, they built up a picture of how global consumers drink (past, present and future). Most importantly, they tracked the contribution of branded packaged beverages as a share of total liquid consumption.

The analysis shed light on what, in effect, is the degree of opportunity for growth in packaged drinks in different regions around the world.

Note: Total = 803 litres per person per year = 2.2 litres per person per day
A closer look into the “share of throat” revealed striking regional disparities in the importance of packaged drinks, from highly saturated Western European and North American markets to the fast maturing regions of Eastern Europe and Latin America. Data from the emerging Asian economies and Middle East and African markets exposed a pool of untapped opportunity.
The data not only revealed that in 2009, packaged non-alcoholic drinks accounted for around 66% of recommended human fluid intake in the mature markets of Western Europe, North America and Australasia, but the share of packaged drinks was only slightly up from around 60% a decade earlier. This means the upward growth curve has hit a brick wall, indicating saturation.

This information helped to assess the degree of opportunity in maturing and unsaturated markets. Saturation is likely to occur when per capita consumption reaches around 600-650 litres of commercialised packaged drinks (including alcoholic beverages) a year rather than 803 litres as originally assumed.

Looking back: When past can inform the future

Sometimes looking back at old data and analysis helps to generate fresh insights. Such “recycling” of old findings is sometimes the only way to arrive at the best insights.
Case study 4: Impact of global financial crisis on the worldwide consumer markets

Key Objective: To quantify the impact of the global financial crisis on the consumer market

In late 2008 as the global financial crisis deepened, it was imperative for our clients to understand the crisis’ impact on the worldwide consumer market. In order to quantify this impact, our analysts examined consumer goods market performance during past economic turbulences (local and regional crises, downturns and slowdowns).

As part of this project, our analysts dove deeper into scenarios like that of Western Europe’s slowdown in 2001-2002, when the slump in the US dollar, downturns in global trade, and the late 1990s crisis in South East Asia, Latin America and Eastern Europe, hurt businesses in the Euro Zone and pushed economies into recession.

The weakness of the Euro throughout 2000 and 2001 and its rapid strengthening in 2002 hurt European economies. It resulted in a pronounced slowdown in the growth of per capita consumption across many markets – with an outright drop in Austria, Belgium, Cyprus, Germany, Netherlands, Malta and Portugal. The chart below illustrates the effect this had on consumer expenditure in major Western European countries.

As expected, home care products sales in many Western European markets (see chart below) slowed down or declined as a result:
As consumers put price at the top of their agendas, price competition between leading retailers in a Western European Country 5 intensified and led to declining value sales for most home care categories.

Laundry care, the largest category, experienced a significant drop in value sales in 2004 as major retailers used promotions and discounting on basic items such as laundry detergents to increase in-store traffic. Not surprisingly it was chlorine bleach, the most basic product that experienced the highest growth as consumers consider the product a cheap alternative to more expensive, task-specific cleaners and even multi-purpose cleaners.

Whilst looking at past performances to understand possible scenarios of depth and duration of the downturn or slowdown in consumer markets’ growth, our analysts learned that, interestingly, niche categories within laundry care such as in-wash spot and stain removers performed exceptionally well and benefited from the introduction of value-added products with higher price margins.
Our analysts interpreted the reason for such successes as follows: In laundry aids, consumers tend to seek maximum efficacy. They prioritise performance over price and stay loyal to products that deliver results. This insight informed product launches in laundry care during the current economic downturn.

**ADDING TACIT KNOWLEDGE**

Digging deep leads to finding things that don’t fit the norm, ignore the rules, or go against the trend. Interpreting these can reveal insights.

Insights don’t just happen. It is a product derived from coupling actual information (registered and documented data – explicit knowledge) and expert analysis (knowledge and expertise that “lives” within the analyst – tacit knowledge).

This tacit knowledge – analyst’s expertise – combined with research intuition and common sense play an important, if not crucial role, in insight generation process. The same data can be interpreted differently by different analysts. More knowledgeable analysts can find insights where less experienced ones might miss them. Although insights are not always best supported by sources, best quantified or best described, they are the most valuable findings.

**SUMMARY**

In this paper we outlined the challenge of discerning “must-have” market analysis in the information-rich research environment.

Our experience with “insight generation” shows that there may not be a "one-size-fits-all" solution. In fact, different clients need different insights. However, whatever the need, the process of generating insight would invariably require three components:

- Volume of data;
- Adequate methodology;
- Capable analyst to make sense of it all.
And the role of the analyst is key in the process. Data and methodology are nothing without an analyst that can bring it to life.

About Euromonitor International

Euromonitor International is the world’s leading provider for global business intelligence and strategic market analysis. We have more than 39 years of experience publishing international market reports, business reference books and online databases on consumer markets.

We deliver market research solutions to support strategic planning for today’s increasingly international business environment. Our research offers in-depth market analysis on consumer goods and services industries worldwide, as well as economic, demographic and socio-economic data and insight on countries and consumers.

Euromonitor International is headquartered in London, with regional offices in Chicago, Singapore, Shanghai, Vilnius, Santiago, Dubai, Cape Town, Tokyo, Sydney and Bangalore, and has a network of over 800 analysts worldwide.