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**Abstract**

The FutureMarket solution consists of an online survey with an included store-shelf simulation. This allows conclusions on the marketability of a new product within the existing competitive environment at a very early stage. Andera Gadeib from Dialego AG presents the tool.

## **Virtual Test Markets**

### **Online Concept Test for Branded Companies**

**When designing new products or line extensions, separating the wheat from the chaff at the earliest possible stage is essential. Andera Gadeib presents an online test which consistently deploys the visualization opportunities. By doing so, the test reduces the gap between virtuality and reality, and can be conducted even before the product really exists. Thorough validation is included.**

Dynamic consumer behaviour and increasing pressure to develop innovative products result in the increasing need for “early-stage tests” for new product ideas. It is essential to learn about the new product’s success potential even during the concept design phase in order to optimize its success.

Up to now, simulated and real market tests have always been conducted when a new product was to be tested in a sample selling. This was done after the product had been developed, but before its introduction to the market. The methods used for it have included store tests and studio based test market simulations as well as the mini test market method. They have in common that all of them can only be deployed at a quite late stage since they require a physically existing product. Furthermore, all of the methods mentioned require both much time and money. The disadvantage of the studio based tests lies in the quite small amount of samples usually used, which possibly might lead to reduced validity of the results gained. Depending on the sampling method, selection bias may occur, e.g. when using the shopping-malls. Also, the costs for the studio and the interviewers constitute a major part of overall expenses.

More recent methods use monitors or silver screens to simulate products in the studio. This allows tests to be conducted even without providing an actual prototype of the product. This enables researchers to detect the potential of a product on the basis of its concept, not depending on a concrete realization/execution of the idea.

## Concept Tests at the Early Stage

At the early stage of the product development, quantitative concept tests are often used to evaluate the virtual concept of the new product on the basis of a standardized survey tool. Such tests provide the opportunity to compare single concepts to alternative designs or to competitors' products. Typically, benchmarks on major parameters such as uniqueness, credibility, brand fit and particularly the purchase intention (both, with and without the price) are evaluated and used for a cross-test comparison.

Concept tests are commonly used in the online research practice. Yet – unfortunately – they are too often performed as a blueprint, i.e. adaptation of the classical standardized questionnaires, even though the online method provides clear advantages compared to the classical methods, such as:

- Speed
- Visualized shopping environment
- Simulation of different settings
- Efficiency

The prediction of market success is an elementary result of such a test. Thus, the focus lies on constant inquiring about the purchase intention.

Market research practice (both offline and online) shows, however, that the often deployed verbal purchase intention scale (e.g. a 5-point-scale covering options from “will definitely buy“ to “will definitely not buy“) does not necessarily provide reliable measurement. Deployed in two product tests on the very same product, the scale will possibly indicate different purchase intentions, e.g. when the test persons understand the meaning of the oral description differently. It is hard to draw a quantitative conclusion on the purchase intention on the basis of the provided categories. Finally, empirical studies have shown that the purchase intention scale does not adequately predict the high amount of purchases by the group of non-buyers (according to the measurement results). Thus, the reliability of the conclusions regarding purchase intention apparently can be regarded as needing improvement.

## New Possibilities Online

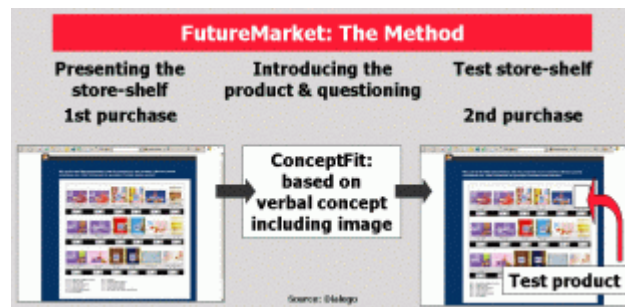
Online market research provides the possibility of conducting concept tests very early in the product development process and combining them with a market simulation. As early as the concept test stage the purchase situation at the POS is taken into account by virtual store-shelves, so that purchase intention at the store-shelf including the competition related circumstances are considered. This creates a significant advantage compared to the methods used till now regarding speed, efficiency and reliability of the test. As a result one receives not only the classical statements of concept tests, about the relative rating of concepts compared to existing benchmarks; one also receives concrete statements about cannibalization effects, i.e. the new product's impact on both one's own – and the competitor's market shares. Using this method one can answer questions such as: “Which

brand/which product will win and/or lose market shares once I introduce my new product to the market?" or: "Are the buyers of the new product mainly existing customers or is the concept able to address competitors' customers as well?"

*„We are convinced by the methodology of this test, since it also allows us to test a large amount of product ideas very efficiently. Thus, it is an important tool among the different market research solutions.“*  
**Burkard Bellinghausen, Senior Brand Manager,**  
**H.J. Heinz GmbH**

## FutureMarket: the Virtual Shelf Test

The FutureMarket survey tool contains a 15 minute interview and includes a store-shelf simulation. The testing of several concepts is in principle monadic, which means that each test subject rates only one concept. The gross sample is taken from access panels, which might themselves be pre-selected on the basis of demographic attributes such as age or gender. The quotas provide the same sample structure for monadic rating. Together with the online field control, this widely eliminates the sample effects within the comparison of the concepts. Test persons are directed to the online questionnaire by an individual link within the invitation e-mail. Generally, a hidden screener in the first section of the survey ensures that only the desired target group (e.g. only users of a particular category or heads of the household) are directed to the main questionnaire. Test persons who do not meet the sample profile or whose profile is already covered in the net sample are directed straight to the end of the survey.



Complex scales (such as the 11-points Juster Purchase Probability Scale) are introduced and explained at the beginning of the main questionnaire. The test person then carries out his first virtual purchase at the so-called pre-shelf. The purchasing task is clearly defined and there is no real purchase obligation. Normally, in this task, products needed for a pre-defined period of time are purchased. Subsequently, the concept is presented and tested. And finally, the test person is asked to do his shopping again, this time with the new product available on the post-shelf.



Nowadays, the virtual test store-shelf is deployed as an extension of the concept/product test. This allows conclusions on the marketability of a new product within the existing competitive environment at a very early stage. Simulations can be carried out under controlled conditions. Besides the testing of different concept designs, the variations of products are especially simulated, such as:

- Price setting
- Packaging size
- Packaging design
- Positioning in shelf within ranges/within competitive environment (Category Management)
- Assortment design

Consumers' preferences for certain product variations can be clearly shown. Cannibalization effects are displayed by the Gain- & Loss-Analysis. FutureMarket has already been deployed for successful recommendations for international product line harmonisations. Presently, volume forecast models are designed in co-operation with customers.

### **Characteristics:**

- Online survey via access panels
- Net sample typically n=250 per cell or higher, if necessary
- Target group: Buyers of the single category, representative quota for target groups or population
- Interview duration: 10-15 minutes
- Incentive: panel points with an average value of EUR 1,50
- Technical requirements for the respondent: amount of data approx. 475 kB; download-time: ISDN = 60 sec., DSL = 6 sec., no plug-ins needed

## The Virtual Shelf-Test: Validation Study “Chocolate”

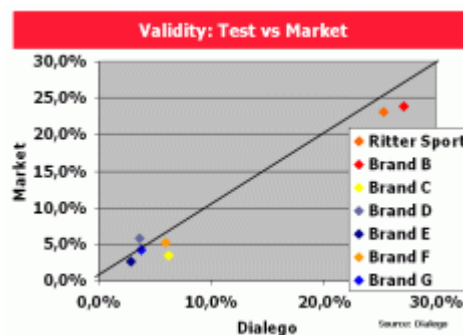
The quality of the questioning and the shelf presentation as well as the scale used must be reviewed. Beforehand, a validation must be carried out in the single categories, in which the concepts are to be tested. Among others, the tool was reviewed for the category of chocolates - here: 100g chocolate bars. The results are encouraging. They were also presented at the BVM-congress.

### Reliability

The test comparing 3 brands and 16 sorts provided an average retest reliability of between .85 and .89 and - for 7 brands and 18 types - a high correlation of .82. Re-measuring showed a significant deviation for only one out of 17 products, without seasonal /promotion effects at this point being corrected.

### Validity

The exciting question, of course, is how well the image detected at the virtual shelf corresponds to the real market shares. For that reason, an external validation was carried out. Panel data were compared to the market shares detected at the virtual shelf. On the basis of brands (here: 7 leading brands), the  $R^2$  indicates a very satisfactory value of .92. According to this result, the virtual test shelf is highly suitable for reflecting the real market. When analysing 17 single products, the shelf still achieves a remarkable result of .59, without any corrective elements being brought in.



### Conclusion

Products holding smaller market shares are rather likely to be overestimated, while the large brands tend to be underestimated. This must be considered during the further method of procedure. Further aspects were defined which could lead to a falsification of the result and thus are to be considered while modelling: in the case of both awareness and distribution, the virtual shelf indicates the ‘perfect market’, i.e. 100% awareness and distribution. Accordingly, corrective elements are inserted into the modelling to present the real market environment. The overall test effect is a result of the test person’s extensive analysis of the concept; here again, a corrective element is necessary.



*Andera Gadeib is founder and CEO of Dialego, Aachen, Germany. Dialego AG is a full-service providing institute for market research with more than 20 employees in the field of online market research. Dialego collects data via internet only. Our services include the classical methods such as ad pretests/posttests, product/concept tests, brand/image analysis, website tests and consumer satisfaction surveys. Dialego develops both software systems and hardware systems for online surveys*

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