

OPTIMIZING THE LINE EXTENSION LINE UP

Choosing the Right Line Extensions Fuels Food Company's Growth.



MarketTools' Line Optimization Solution Identifies the Best New SKUs to Introduce.

- CUSTOMER** Major food company.
- CHALLENGE** Revitalize a well-known, well-established brand with a subline of new varieties, bringing a new health message to the brand. Determine which items should be in the subline, the optimal order of entry, and the incrementality to the business.
- SOLUTION** Use the MarketTools® Line Optimization approach to provide feedback on which stock-keeping units (SKUs) to introduce and to quantify the incrementality to the parent brand as well as whom they will cannibalize. This knowledge provides a more strategic base from which to make line extension introduction decisions.
- RESULTS** Adding a three-item subline will substantially add to the brand's share. The new health message is very strong: the three new items have more potential than any of the current SKUs, and they provide strong incremental volume to the manufacturer.
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Add Growth Through Line Extensions.

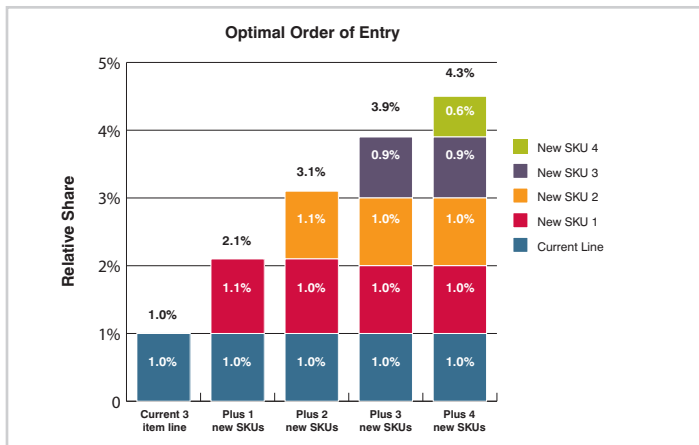
For many packaged goods, line extensions are a primary source of growth to provide consumers a new benefit and to provide news to retailers. Line extensions are much less risky than major new product launches, but care needs to be taken to not steal from the base business. This brand's base business already has health as a reason for being; the challenge is to create a subline that builds on the health message with new SKUs that are incremental to the line.

MarketTools Has the Answer.

MarketTools' Line Optimization approach uses Shapley Value analytics. It starts by each consumer identifying his or her own relevant set of category SKUs. Next, the possible line extensions are evaluated one at a time. Those with strong purchase interest are added to the relevant set of current SKUs, and they are rank ordered. Those new SKUs that break into the consumer's repertoire are the ones to introduce. By using a competitive context, the resulting Shapley Values closely approximate market shares, allowing for an assessment of the new SKUs' source of volume. Along with MarketTools' recommendation of which SKUs to introduce, a simulator is provided so that the effect of different combinations of new SKUs can be quantified.

Three New SKUs Are Right on the Mark.

Introducing three new SKUs utilizing the new health message will substantially grow the brand's share. Each of these has the potential to achieve one share point in this large category. Adding a fourth SKU is not a good idea: diminishing returns set in and line growth begins to slow.



Introducing the three new items also grows the parent manufacturer's share. More than half the volume of these items is incremental to the parent manufacturer. The new subline steals disproportionately from one key competitor, which should be targeted when the new subline is introduced.

Recommendations are Well Received

The client found this approach to be very helpful in determining their line extension strategy.

"Instead of conducting line optimization in a vacuum as has been done in the past, the competitive context provided by this new technique enhanced the quality of the results and ultimately provided the rigor we needed to make a confident decision on how to move forward."

—Senior Consumer Insights Manager,
Fortune 100 Packaged Goods Company

About MarketTools

MarketTools is the leading technology and service provider of Customer Insight Management solutions for the world's market leaders. Through a unique combination of best-in-class insight and feedback platforms, quality-assured global panels, and research innovation, MarketTools enables companies to better identify new opportunities, fuel greater product success, and build customer advocacy. As the first company to make online surveys widely available on the Web, MarketTools continues its market-leading position by providing the broadest range of powerful, accurate, and integrated customer insight technologies that empower companies to become the most customer-centric organizations in their industries. MarketTools' premier portfolio of technology-based insight brands includes MarketTools.com,™ Zoomerang,™ CustomerSat,™ TrueSample,™ and ZoomPanel!™

MarketTools is a privately held company with corporate headquarters in San Francisco and European headquarters in London. For more information please visit www.markettools.com.



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