



New sensation

Demystifying innovation

Kearney Consumer Institute
Q2 2024

KEARNEY

A collection of mechanical gears and tools on a workbench. The scene includes several large, weathered metal gears of various sizes, some with multiple holes. In the center, there are several spools of thread in different colors (blue, orange, white) and a wooden dowel. To the right, there's a blue metal container and a yellow cable. The background is a dark, textured surface, possibly a workbench or a wall.

A commonly suggested way to keep loyal fans and consumers engaged is through innovation.

But **innovation's** many meanings and objectives can stray from operating **consumer first.**

Companies describe innovation broadly and inconsistently.

We lead with technical innovations that solve for the unmet needs of our guests. We can then leverage our expertise in raw material innovation and technical construction to offer versatile styles designed for everyday use.

Lululemon CEO

The strong global demand for our brand was due to fresh innovations in our proven styles, a more robust offering of our many comfort technologies, and the expansion of our performance and lifestyle divisions into new categories and collections.

Sketchers CFO

Entrepreneurial spirit is what drives every one of (our Maisons)—for centuries, in some cases—with a tremendous ability to continually reinvent themselves. The Group is there to reinforce these values, spurring the Maisons to innovate, take risks, and write new chapters in their history.

LVMH former managing director



Our innovation engine is moving with speed. Our innovation, design, and product creation teams are working hand in hand with urgency and creativity. They're leveraging new technologies to be faster, more collaborative, and more expansive in their thinking.

Nike CEO

We are a science-driven, consumer-focused company that leverages our innovation expertise to create solutions and new category opportunities.

Nestle CEO



We also know that sometimes the most successful lasting innovation is simply improving the taste of existing drinks.

Coca-Cola CEO

We believe that our demonstrated track record of innovation over the last 12 years positions us well to deliver on this for our community, our partners, and our investors.

Snap CEO

Innovation is an ambiguous catch-all.

What is innovation?

- New products
- New categories
- New brands
- New styles
- New product lines
- New features
- New flavors
- New services
- New processes
- New raw materials
- ...

- New formulas
- New technologies
- New store types
- New channels
- New uses
- New formats
- New advertising
- New experiences
- New platforms
- New price points
- ...

What is the intent of innovation?

A rough approximation...

Short term

Keep consumers

New features, ingredients, line extensions
Often informed by trendspotting, consumer insights



Faster, lower risk, lower reward

Medium term

Bring in consumers

"New" products/growth mindsets
Includes filling a need state, occasion, daypart



Long term

Evolve with consumers

Unmet needs, disruptive innovation
Address emerging or evolving consumer behaviors



Higher risk, higher investment, higher reward

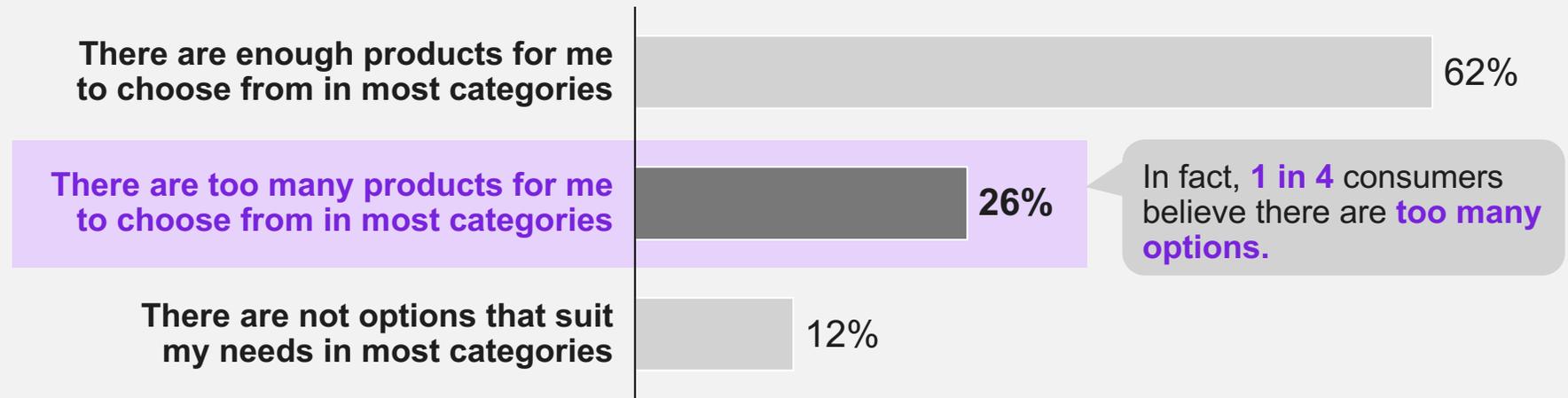


Innovation is often justified as a
reaction to “**consumers demanding
more specialized products**”

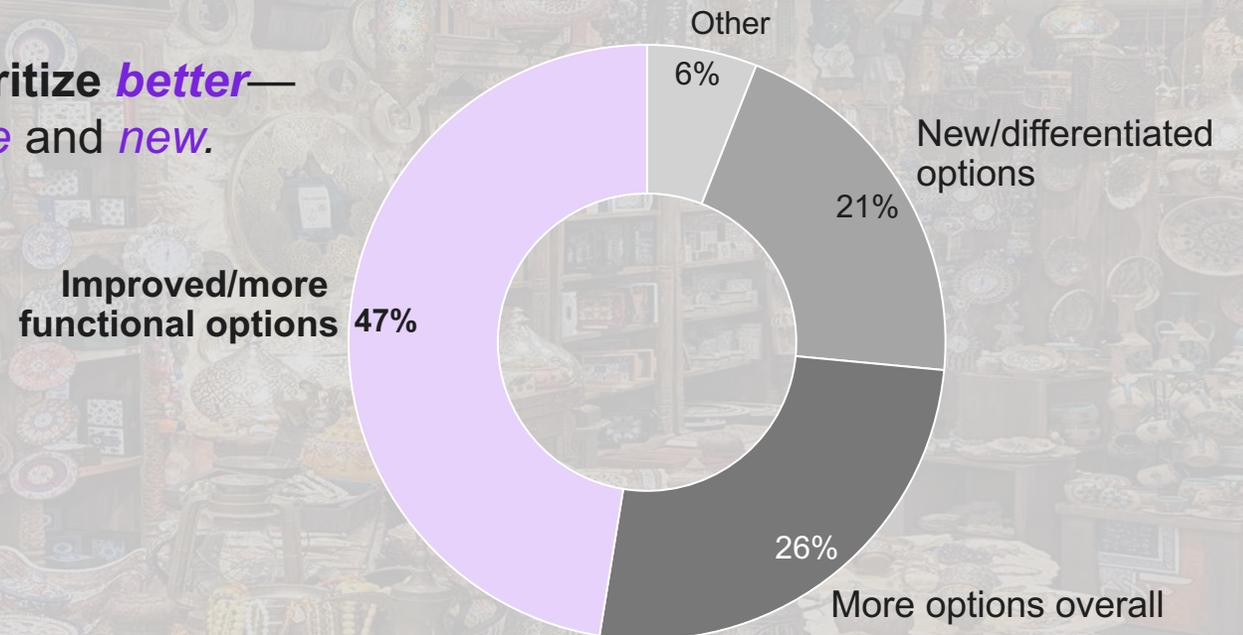
...but is that accurate?

Consumers seek simplicity and improvement.

Most consumers believe existing products meet their needs.



Many consumers prioritize *better*—but some still want *more* and *new*.

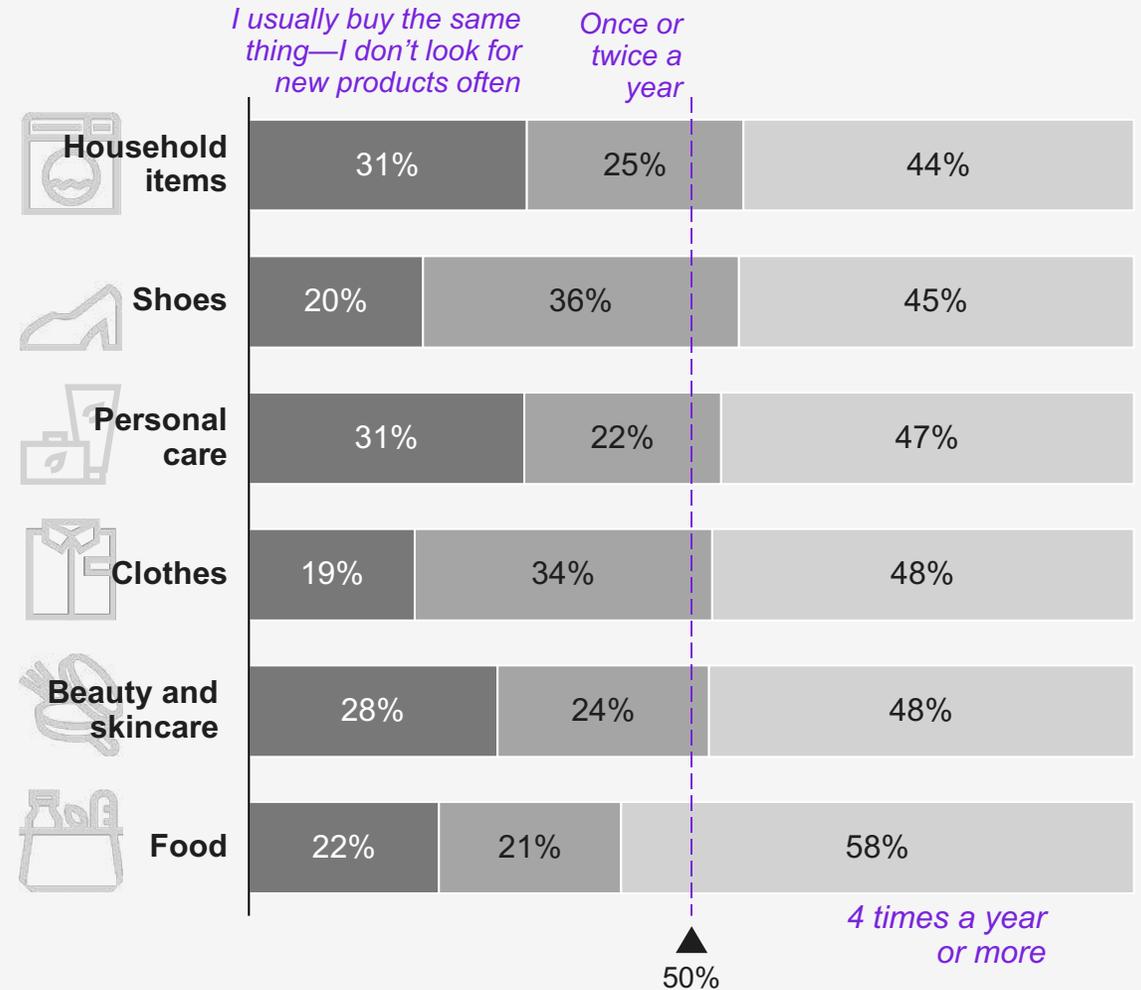


Source: Kearney Consumer Institute – Innovation Study, May 2024

Innovation can be wasted when it outpaces consumer expectations and adoption.

Many consumers are comfortable with new products twice a year or less.

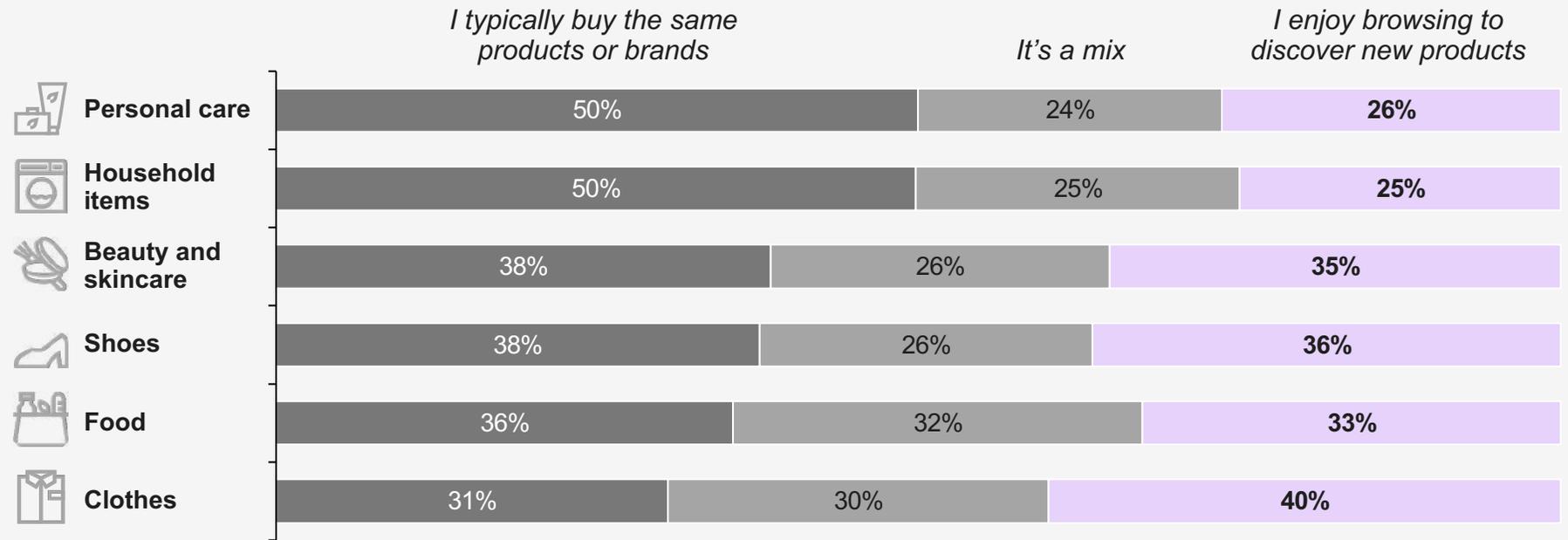
How often consumers are looking for new products



Source: Kearney Consumer Institute – Innovation Study, May 2024
 Note: Percentages may not resolve due to rounding.

Catching consumers in the right frame of mind is important.

Product exploration and discovery play a role in the success of an innovation. Sometimes, people are simply not looking.



However, in many categories—from shampoos to hot sauces—consumers like options.

Source: Kearney Consumer Institute – Innovation Study, May 2024
 Note: Percentages may not resolve due to rounding.

Business realities further complicate innovation.

In an ideal world, innovation is **consumer first.**

But innovation is often used to address additional challenges and motivations.

- 1 Competitive pressures and challenger brands
- 2 Wall Street pressure
- 3 Merchandising calendars
- 4 Holding shelf space
- 5 Available line time
- 6 Corporate culture

And consumers know it...

56%

of consumers think innovation is done to benefit the company (versus consumers).

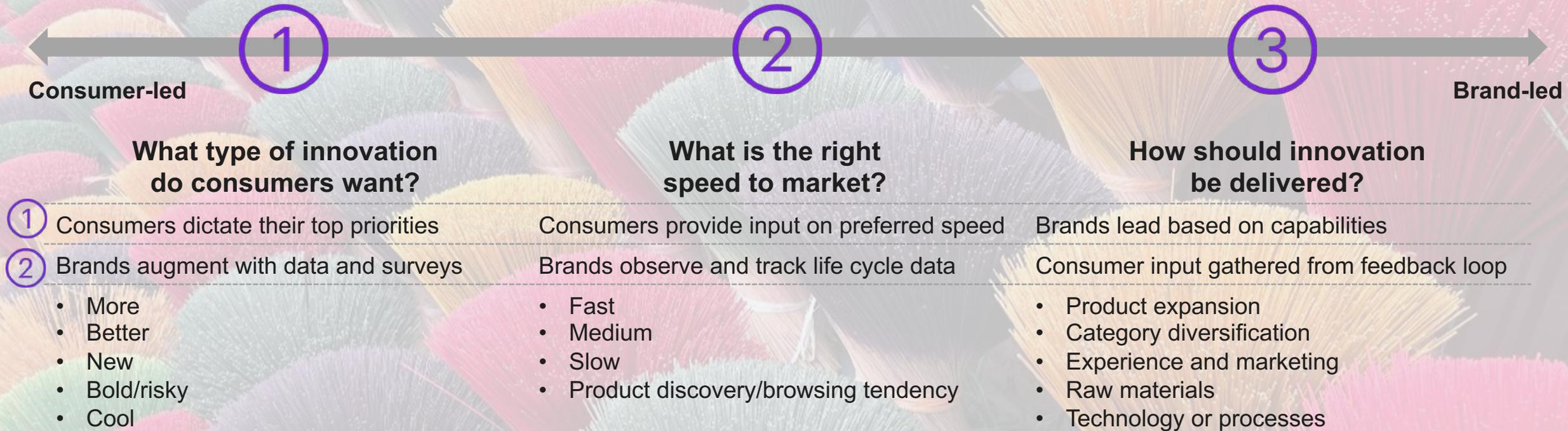
Two tennis rackets are positioned diagonally across the frame. The racket on the left has an orange frame, while the one on the right has a black frame. Both have white stringing. The background is a plain, light grey surface.

These competing factions lead to the question:

How can companies capture the dual purpose of **innovation** for **consumers** and **brands**?

Expand consumers' role in the innovation journey.

Reorient innovation to connect consumer needs with business objectives.



Do not try to be everything to everyone
 Pick 1–2 from each category.

Pause for gut check
 Ask if the choices work together
 (for instance, does fast match with bold?).

Beware the **one-track mindset.**



Consumers want specialized products that fit their needs, but there's a limit.

Access: Where a product is available/level of convenience.

Consumer behavior change: Consumers often resist behavior changes, even with better functionality.

Price: A too-high price point may invalidate the better fit.

For instance, consumers have differing opinions on how much they will go out of their way for a product.

56%

Product fits needs better; can only buy on brand's website

44%

Product does not fit needs quite as well; can get it from regular store/website

Deepen and expand the consumer feedback loop.



Key questions to ask



Do you know who your top **100** consumers are? Do you have an open, ongoing dialogue with them?



Are you only surveying consumers about specific projects or initiatives? Or is it ongoing?



Do questions extend beyond the specific product, category, or sector you are in? Do you understand broader lifestyle and attitudinal preferences?



Are you willing to accept negative feedback on products? Do you action against it?



Honors, a women's golf apparel brand, uses trunk shows to gather feedback—the good, the bad, and the ugly—on its products directly from consumers.

Luxury brands, from LVMH to the Leela Palaces Hotels and Resorts, learn from boutique and front desk employees, informing everything from innovation decisions to consumer preferences.

HONORS

LVMH


THE LEELA

Looking forward



What the KCI is watching

Despite a bias toward negative news and metrics, consumers are reporting positive efforts to improve their spending situation, with 74% reporting positive change to their financial situation in the past 6 months, up 11 points from Q3 2023.

Despite travel often being categorized as a highly discretionary number, many consumers see it as a top priority spend, with 25% of consumers telling the KCI that their vacation is a “must-have” (and are cutting back on food spend to make it happen).



What comes next

More than 60 countries have elections in 2024. The Kearney Consumer Institute, particularly via the Consumer Stress Index, continues to monitor the impacts of politics and elections on consumer behavior.



**Next KCI
quarterly
briefing:**

August 2024

Kearney Consumer Institute (KCI)



What is it?

Kearney think tank creating thoughtful, consumer-first content and perspectives, assessing existing and evolving consumer behaviors, needs, and decision-making



What does it do?

Advocates for the consumer

Challenges existing assumptions

Reframes to ask different questions

Generates conversation

Translates into action

KEARNEY

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