



# Case Study – Product Innovation

Through case studies we like to share some of our successes to give you an idea of how we help our clients improve their business results.

## Company

The company, that prefers to remain unnamed, is a small wholesale-chain with a focus on catering professionals. Their clients include restaurants of all types, as well as companies that offer canteen services to their employees. They have an active assortment of approx. 40.000 products that splits in four main departments: Fresh Food, Packaged Food, Drinks and Non-Food.

## Business Issue

The company has a business culture and market image of being very innovative. Over time this led to a situation where the Product Management team added several thousand new items to the assortment each year. In a number of categories this process continued without reviews to see if new items were actually serving the customers' needs.

Stores have only limited space, inventory costs need to be managed, and items in the assortment are carried to satisfy customers, not the Product Manager or the suppliers, so it was time to review the performance of all these new additions. Since the client's internal IT system didn't allow them to do this in an efficient way, another solution had to be found.

## Solution

We exported product, margin and performance data out of the IT system using its standard reporting capabilities. This data was then cleaned up where needed, merged and stored in a database, allowing us to analyze it in many different ways. The results of these analyses were presented at three different levels:

1. Consolidated numbers at department level
2. For a selected department broken down in "result-groups"
3. Listings of individual products by category

The department-level analysis quickly confirmed that the new items didn't contribute to sales, profit and volume as one might expect, and that further investigation was required.

The second analysis showed the number of new items and their contribution to the last 12 months' revenue by result-groups like "no sales", "less than €200", "€200-€500", etc. It confirmed the classic 80-20 rule, a large part of the success comes from a small part of the assortment, and also that the majority of new items would not even cover the cost of introducing them in the assortment in the first 12 months! However, everybody was happy to see that there was also a (small) group of very successful product-introductions.

The third analysis allowed the Product Managers to look at the details of the products involved.

## Results

Now aware of the facts, the Product Managers realized that innovation for innovation sake does nothing for the customers and even less for the performance of their categories. With access to detailed information about success and failure, they are in the position to improve their innovation-activities in the future.

It also made the management team aware of the need for clearer objectives around product innovation to ensure that the importance of a balance between innovation and business results is clear for all parties involved.