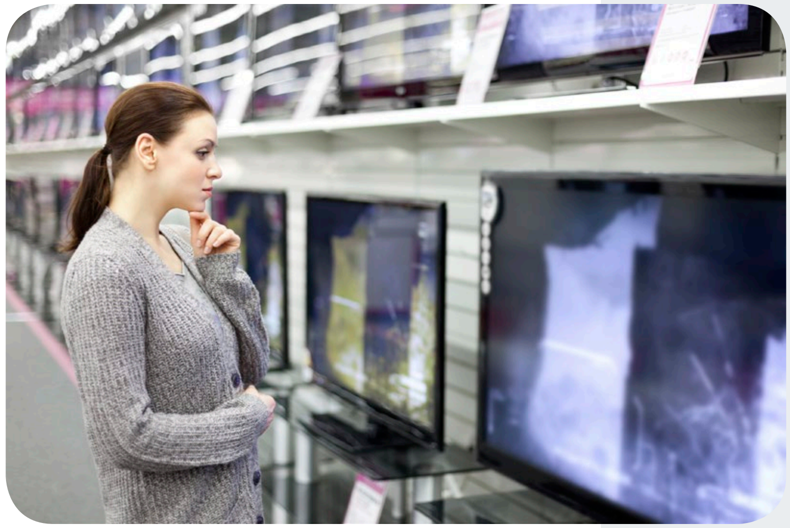
New Products

By Jerry W. Thomas

Every product, day by day, inch by inch, is creeping toward obsolescence. The products and the companies who are frozen in the status quo are dying little by little every day. The only hope of business immortality lies in constant improvement and a constant search for the new and better.



Product improvements and new products are pathways to the future, the lifeblood of strategic survival. From our catbird perch, as marketing research advisors to hundreds of different companies, we see some companies that consistently develop and introduce successful new products. We also see companies that rarely ever develop any new products. The contrast between successful "new products" companies and those that don't succeed provides some valuable lessons for any company that aspires to improve its new product efforts. Here are some things we have learned about new products.

A State Of Mind. New products are a "state of mind," an attitude. Mental rigidity is the antithesis of new product thinking. A negative attitude is the kiss of death. Bureaucratic calcification is a formidable barrier to new products. Creating new products requires openness, optimism, imagination, freedom, risk-taking, and persistence. These psychological qualities must be nurtured within the organization generally, and specifically within the individuals or group responsible for new product development.

An Ongoing Activity. New product thinking is an ongoing activity. It's not a one-time thing. The world and everything in it are in motion, evolving, changing. The search for product improvements and new products, therefore, must be continuous—or the world will quickly pass you by.

Fashion Cycles. Every industry is affected by fashion cycles. What fashion trends are affecting your industry? The fashion cycles can be very fast (cosmetics, clothing, hair styles), glacially slow (legal industry, religion,

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government), or somewhere in between these extremes. But every industry has its fashions and fads, no matter how slow or obscure the process might be. Perceiving and understanding these fashion cycles can be stimulants to the creation and timing of new products.

Industry Blindness. Each industry has its own vocabulary, mythology, biases, and beliefs. Collectively, these biases and beliefs can create a type of "industry blindness." Everyone is somewhat a captive of his/her industry's culture and common experience. You must get outside of your industry at times to learn what's going on in the world. Visit and observe companies in other industries if possible. Draw in outside expert help from time to time to add perspective to your company's new product effort.

A Small Start. New products often start small. The volume potential for many new products will not be large at first. Many large companies set arbitrary minimum sizes for product categories of interest (i.e., we're not interested in anything less than $20,000,000 in sales and so on). This kind of arbitrary constraint often rules out many of the best and brightest new products. It's okay for new products to start small, since the successful ones will tend to grow exponentially anyway. For example, the Mexican salsa category, pioneered by Pace Picante Sauce, was a tiny, small volume category for a number of years, but now the salsa category is bigger than the ketchup category. Also, it's next to impossible to accurately estimate market potential for completely new products. So don't worry about a small start.

Opportunity Everywhere. Every product "category" is ripe for new products. Very often companies focus their whole new product effort upon so-called "growth" categories, and ignore stagnant or dying categories. Very often, these stagnant or dying categories represent fertile new product opportunities, partly because no one is paying any attention to them. Once a client told us that his company was not interested in a particular canned meat category, because the category was declining. We were able to show the client that the category was declining because all of the brands in the category were of poor quality, and that the category represented a great opportunity for a new high-quality brand.

Start Anywhere. New products can start with a concept, start with a product, or start anywhere in between. The traditional "new products" model burned into most "packaged goods" managers' brains is "first define the concept, and then make a product that fits the concept." Sometimes this approach works; other times it does not. It's just as fruitful to start with a product and build a concept as it is to start with a concept and build a new product; and sometimes you have to start with half a product and half a concept and somehow make the two come together.

Find A Need And Fill It. This mythology rests upon an archaic "packaged goods" paradigm, that all marketers must do is find an unfulfilled need and "presto," new product success will surely follow. This is not to say that the "unfulfilled need" model never works; sometimes it does. But "needs" are often wispy, vaporous things that cannot be identified in the absence of a product. For example, the need for a high-quality car was largely unrecognized by the American public until the Japanese set a new standard. Very often one cannot measure a need until a new product and its marketing have defined that need. Therefore, you need not worry very much about "need" as you develop new products.

Too Many Cooks. Too many cooks in the kitchen spoil the broth. The process of evolving a new product is one of integration and organization, of pulling seemingly disparate elements into an integrated, cohesive whole. Too many participants can doom this process to failure, especially in the early stages of a product's evolution. For example, involving advertising agencies, packaging designers, marketing consultants, etc. in the process too early can slow things down and diffuse the energy and focus of the project, as the various "experts" compete for influence and power.

A Starting Point. New products are not created in a vacuum. You don't go to the mountaintop to await the inspiration of the gods to tell you what new products to develop. New product creation demands a starting point, a focal point. You must nail down one corner of the tent before you can determine where to put the remaining tent stakes. You must choose which product category to address (or which market segment, or which customer problem). Typically, this starting point is largely judgmental.

Close To Home. Stay close to what you know. The most fertile soil to till for new products is the soil beneath your feet. Every company has its own technology base, customer base, and resource base. Build upon and extrapolate from these foundations. Avoid the "grass is greener" syndrome that might lead you into uncharted and unknown waters.

The Black Hole. Unlimited creativity leads to infinite new product possibilities—to an endless black hole—where ideas come to nothingness. Creativity must have rails to run on, a purpose, a focus, a concentration. Too much undisciplined creativity can doom a new product program to failure. Too many ideas can confuse and diffuse the new product effort.

Creative Stimulants. If lack of creativity is impeding new product progress (and this often is more of a problem than too much creativity), then you might consider the use of sensitized focus groups or sensitized depth interviews (i.e., "sensitized" in that respondents are given a few days to think about the key issues before they are interviewed). The use of brainstorming groups of "creative" consumers, employees, or industry "experts" can also be a stimulus to creativity. Typically, the research itself produces some good new product ideas, and the interaction with actual consumers also tends to stimulate the creative juices of the new products staff.

A Time For Winnowing. There is a time for creating, and a time for winnowing. Once a focal point is defined, create new product ideas without limits, without constraints. Then, the ideas must be winnowed down to a manageable few. Once these ideas have been pared down, focus creativity upon fewer options, create more possibilities, and winnow again. The winnowing function can be performed partially by judgment, but consumer feedback is essential at critical points. Screening new product ideas among consumers is not very expensive and is typically far better than the judgments of the new products staff or the president's wife.

A "New Product" Can Be More Than A Product. Most of us think of new products in a narrow physical sense; we should think of "new products" in a more open, expansive way. A "new product" might be, or be stimulated by:

- A new method or new channel of distribution
- A new way of advertising
- A new way of marketing
- A new way of packaging
- A new manufacturing technology
- A new ingredient or component technology
- A new brand identity or image
- A new method of selling
- A new pricing level

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None of the above necessarily creates a new product, but each variable has the potential to define, shape, or influence the creation of a new product.

The Test Market. No matter how perfect the new product development system, no matter how clever the new products team, no matter how esoteric the research techniques, and no matter how creative the advertising agency, the new product and its marketing elements are not likely to be perfect at the point of test market entry. This means that success, or failure, often depends upon how quickly and competently new products and marketing elements are modified and refined as the test market unfolds. The new product gains wings and momentum through this "test market" experimenting, tinkering, and refining. That's what test marketing is all about.

Killer Budget. One of the surest ways to kill a new product is an unrealistic introductory budget. New products tend to lose money at first. The first proposed test market budget, therefore, usually shows the new product will lose money. Upper management does not like projects that lose money. The new products team increases the size and number of test markets to increase sales volumes, to achieve economies of scale. The budget numbers now look better, but not good enough for upper management. So, the new products team increases the projected share of market until the budget is acceptable to upper management. Now the new product is set for failure; it has virtually no chance of hitting the budget numbers. Even worse, the test market geographic area is now so large and so expensive that the normal tinkering and experimenting that's supposed to occur during test marketing is no longer possible or affordable. The "killer budget" kills many promising new products.

Management Commitment. New products quickly die without management commitment and determination. New products are risky. Many will fail. It's all too easy to kill a new product (there's little risk associated with killing it), and usually great risk in pursuing it. A managerial environment which permits "freedom to fail" is essential to the creation of new product successes.

In the final analysis, determination is probably the single most important predictor of new product success. The really successful new product companies don't give up easily. They keep trying and they keep experimenting until they find a success formula. Then they go to the bank and roll the dice again and again.

About the Author

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Decision Analyst is a global marketing research and analytical consulting firm. The company specializes in advertising testing, strategy research, new products research, and advanced modeling for marketing-decision optimization.