

Research is the Key to Successful New Product Introductions

By Jonathan A. Goldhill

New product introductions have a reported 80-90% failure rate within the first two years. With over 30,000 new product introductions annually in the packaged goods market alone, 25,000 will fail. This can be daunting for any entrepreneur.

With such high failure rates, how can entrepreneurs and new product marketers beat the odds? The not-so-sexy answer is simple: *Research*. Researching the size of a market for a given product or service, understanding what aspects of your offer will resonate with customers, and testing the demand for it as cost-effectively as possible are fundamental to any marketing program.

There are two types of research: *primary* and *secondary*. Primary research is first-hand research. These include customer and prospective customer surveys, focus groups and field research. Primary research serves many purposes including: to get a first-hand impression of the market; to learn about the potential or current competition; to collect information; or to discover customer attitudes toward a product or service. Secondary research is information already gathered from sources such as news periodicals, magazine articles, and industry data collected by trade associations or specialized marketing firms.

Here are suggestions about how to conduct market research and how to use the information to improve your odds of success. As a market research specialist, I begin by asking six essential questions, which if all goes right, you should have answers to all of them before going to market.

Who is the target audience? And can you easily reach them?

Too many times I've heard first-time entrepreneurs answer "everyone" but then fail to effectively answer the second question. This should be a clue. Segmenting the market based on the demographic (e.g., age, income, ethnicity) characteristics of your primary target group, or your geographical distribution, or positioning strategy, for example low-price leader, is of critical importance. If you are a business selling to consumers, you can create a demographic and psychographic (i.e., personal interest information) profile of your ideal customer. If you're selling to business, your ideal customer profile will be defined by the industry, position title of decision-maker, geographical location, etc. of the buyer. How easy are they to find? Is there a natural distribution partner or method to reach this target market? The ease and practicality of reaching this prospective customer is important in planning for your new product or service introduction.

What need or want does your product fill in the market?

Products that meet the needs or desires of the purchaser have greater likelihood of success. Additionally, potential purchasers must easily understand the product. If it requires the imagination and intelligence of the purchaser to identify the problem it solves, then you are facing an uphill battle. If this is the case, you must educate and influence at the same time.

Also, a new product must deliver on concept promise. It must get the approval of purchasers at the test stage and show consistent performance over the long run. Measuring the market's reaction to your product over its lifecycle is an essential component to making the decision to move forward with your introduction campaign.

How large is the market and what share of that market can you attain?

These are difficult and expensive questions to answer and could be the subject of another article. If you are not sure there is a market for your product or service, you have three options: get customers to commit to buy upfront, before you design and build it; keep your R&D and overhead costs low; or get out of the market.

Who are your direct competitors and what is their positioning?

Studying your competition requires research into every possible aspect of their company. Collaborate with your marketing consultant to identify what information would be most useful. Consultants bring an outsider's perspective. They can excel at identifying an appropriate positioning strategy to contrast with your competitor's approach to their market.

There are hundreds of positioning options besides the obvious one: low-price leader. Evaluating and testing positioning can be accomplished in numerous manners, but may be costly. But having thought about it and articulating your positioning is half the battle.

How do we best promote the product to compete against these competitors?

Here again, study what the competition is doing. Ask yourself, what is conventional in terms of how products are sold in my industry. Can you break from the mold of how products are introduced, promoted, distributed or sold and be more successful? If not, then you'll need to be extraordinary in your promotion and the promise behind your brand.

Brand promotion through coupons, vouchers, discounts, sampling, and frequent buyer programs is important once you establish your product in the market. And creating marketing and distribution alliances that induce sales activity and bring the product to market cost effectively may be important.

But getting purchasers to try your product is key at the introduction stage. Trial itself depends on both distribution and awareness. And success depends on consistency and persistency. New brands suffer from a quick loss of interest. Companies that are serious about their new products need to support their marketing activities for at least two to three years to succeed.

What will people pay for your product?

Here, all of your competitive and other primary market research will help inform your pricing strategy and decision. And, again, market testing will help you determine the price points that purchasers will pay for your product.

The importance of addressing these questions prior to product introduction cannot be overstated. The chances of success are greater for major category players because both retailers and consumers know the brand and trust them. Startups and entrepreneurial companies often meet a seemingly insurmountable barrier even when their product is truly innovative.

We can't all be the first to market a new product. Oftentimes careful attention to the assumptions made upon entry and our execution capabilities increase our likelihood of success.

Case Study

Last year an established technology company making products for the irrigation industry contacted me to help determine the most effective means for introducing their soon-to-be-released product. Like so many entrepreneurs today, this company was founded and run by a technician who had developed an innovative solution to common problems experienced in their industry. The company lacked in-house marketing talent to develop a program that would insure success with the introduction of their new product. There wasn't time or budget to hire a full-time marketing manager. So, hiring a consultant with marketing sense was their best solution. Hiring a consultant can be a great way to test the need for certain positions within a company. In this case, it helped the President of this company realize the value marketing brought to the table resulting in a full-time Director of Marketing being hired during our work together. Research of their industry led us to conclude the client needed to target its message at those individuals most influential in the customer's purchasing decision, namely industry "specifiers" and distributors, to be most successful. The client was then able to accomplish this through articles in industry publications, anecdotal evidence on the product's effectiveness, educational seminars at industry chapter meetings, and educational video trailers for dealer counter salespeople. Initial response has been very positive suggesting that market research helped this company succeed against all odds in their new product introduction.



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