

# SAN FERNANDO VALLEY BUSINESS JOURNAL

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## Market Research Is Key in Launching New Products

New product introductions have a reported 80 percent to 90 percent failure rate within the first two years. This can be daunting for any entrepreneur.

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, including customer surveys and focus groups. Primary research helps to learn about potential or current competition and discover customer attitudes toward a product or service.

Secondary research is information already gathered from sources such as news periodicals and industry data.

As a marketing and management consultant-turned-business coach, I recommend beginning by asking six essential questions, which if all goes right, you should have answers to before going to market.

### 1) 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.



### MARKETING

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If you are a business selling to consumers, you can create a demographic and psychographic (i.e., personal interest information) profiles of your ideal customer. If you're selling to business, your ideal customer profile will be defined by the industry, who the decision makers are, etc. The ease and practicality of

reaching this prospective customer is important in planning for your new product or service introduction.

### 2) 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.

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

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.

### 4) 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 or strategic advisors 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.

### 5) 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.

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.

### 6) 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.

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

A couple of years ago an established irrigation manufacturer making products for its industry contacted me to help determine the most effective means for introducing its soon-to-be-released product. 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.

Research of the 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. 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.

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