

3 Pitfalls of the New Product Development Process

The process of bringing a new product to market can be riddled with barriers. In this insight-based piece, we share some of our findings on things to avoid in the new product development (NPD) process as well as solutions to reduce these obstacles and stumbling blocks.

OBSTACLES TO AVOID

- 1** USING TOMORROW'S RESEARCH TO JUSTIFY YESTERDAY'S BAD DECISIONS
- 2** SEPARATING OUTCOMES FROM THE PRODUCT
- 3** FORGETTING TO TEST YOUR OWN ASSUMPTIONS

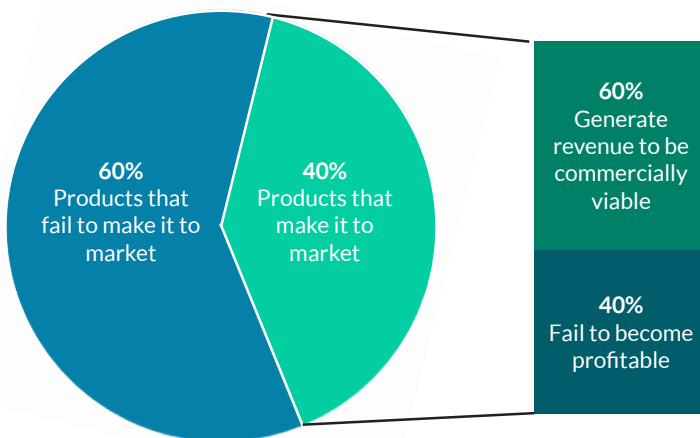
The Importance of Process in New Product Development

A Harvard Business Review article titled *Why Most Product Launches Fail* describes a component of the difficulty in new product development. In discussing whether new products will succeed, this research finds that¹:

Most won't. According to a leading market research firm, about 75% of consumer packaged goods and retail products fail to earn even \$7.5 million during their first year. This is in part because of the intransigence of consumer shopping habits. The consultant Jack Trout has found that American families, on average, repeatedly buy the same 150 items, which constitute as much as 85% of their household needs; it's hard to get something new on the radar. Even P&G routinely whiffs with product rollouts. Less than 3% of new consumer packaged goods exceed first-year sales of \$50 million—considered the benchmark of a highly successful launch. And products that start out strong may have trouble sustaining success.

We know, then, that many new products do not succeed. Many products fail to ever make it to the market, and for those that do, success is not guaranteed. The image below depicts the chances that products will make it to market and if these products will be ultimately successful. While these numbers may vary by market and industry, the message is clear: Bringing a commercially viable product to market is tough to do.²

Chance of NPD Success³



Obstacles along the NPD Cycle

Often discussed but difficult to address, the following are several major reasons for product launch failure:⁴

- The product falls short of claims and gets bashed.
- The new item exists in “product limbo”: it fails to distill a true and unmet customer need because its benefits are not distinct enough from those of existing items, or its features address a transient fad.
- The product defines a new category and required substantial consumer education- but does not get it.
- The product is revolutionary, but there is not a market for it.
- The company cannot support fast growth.

We know that challenges along the product life cycle, such as the changing marketing, changing customer preferences, new competitors, poor product design, going after the wrong target market, off-base pricing, off-target go-to-market strategy, and a lack of post-launch research can result in a shortened product life-cycle. To minimize these challenges, companies should conduct research for ideation, validation, development of a go-to-market strategy, and post-launch.

Our Insights:

Through our extensive market research experience and expertise, we have identified key solutions to use to guide your use of research in the NPD process, as well as tips for things to avoid during this key process.

¹ Schneider, J. & Hall, J. 2009. “Why Most Product Launches Fail.” *Harvard Business Review*. <http://hbr.org/2011/04/why-most-product-launches-fail/ar/1>

² “Guide to New Product Development.” *Technology Multipliers*. <http://www.slideshare.net/TechnologyMultipliers/guide-to-new-product-development-mpd-9099801>

³ *Ibid.* p. 3.

⁴ Schneider, J. & Hall, J. *Op. cit.*



1

Using tomorrow's research to justify yesterday's bad decisions

We know that, too often, companies move forward with new products based on a hunch. They have an idea, see value in it, and decide to progress with the development of a product without thoroughly exploring the market for that product. However, without thoughtful research and abiding by the known principles of NPD, chances are this company and product will encounter difficulties. Then, when the inevitable problems arise, companies look to research to justify their decisions. Demonstrating this point, an HBR article *What Entrepreneurs Get Wrong* surveyed entrepreneurs in Hong Kong, Kenya, Mexico, Nigeria, the United Kingdom, and the United States to uncover insights on these entrepreneurs' first sales and what they learned through the process. In discussing their regrets, they shared that "starting late" was a mistake as they missed out on the crucial opportunity of understanding customer needs and reactions before actually developing the product.⁵

Once you've developed and rolled out the product, going back to conduct research to guide the product's development is not cost-effective or efficient. This can create substantial delays in the ultimate progress of the product and can deplete morale and potential market share by an ineffective rollout.

Lesson: Use research to guide the NPD process, rather than trying to correct it once problems arise.

Solution: Test and experiment throughout the product development process, from inception to production. Too often companies first design a product and then figure out a way to sell it. The ultimate success or failure of a product is defined by the customers' willingness to pay for it. **Research, experimentation, and testing should therefore be incorporated throughout the product development process, rather than after the product has already been developed.**

A few months ago, a prospective Hanover client (that will not be named) asked us how we would use research to ensure the successful launch of their new product:

Hanover Research: "Where are you in the product development process?"

Prospective client: "We're launching the product next month."

HR: "What type of research support are you looking for?"

PC: "We have the product, we need you to tell us the size of the market and the best way to sell it before we launch."

⁵ Onyemah, V., Pesquera, M., & Ali, A. "What Entrepreneurs Get Wrong." *Harvard Business Review*, May 2013. <http://hbr.org/2013/05/what-entrepreneurs-get-wrong/ar/1>

⁶ *Ibid.*

HR: "But what if we find that there is a poor market for your product?"

PC: "Well it's too late to change the product now..."

We chose not to partner with this organization because they hoped to use research to retroactively affirm decisions to which they had already committed, severely limiting the potential impact of research on shaping and guiding the NPD process. Further discussion showed that they had designed a product that was extremely profitable for them, but of questionable value to their customers. **After realizing a product is off-target, clients often lament that they should have conducted more research to support the NPD process. In addition to client testimonials, we've learned through experience that had companies such as the one mentioned above conducted more thorough research throughout the product development process, rather than at the very end, they would have had time to adjust their product to the demands of the market.**

Unfortunately, they are now stuck with a lemon.

2

Separating outcomes from the product

When companies focus entirely on the product itself rather than also focusing on the sales process, they lose out on valuable knowledge. The NPD process often focuses on the product itself, but this laser focus can negatively impact the rollout of the product, as a major component of the process was excluded. Research on mistakes made during product rollout finds that "even founders who started selling early said they were too focused on convincing prospects of the new product's merits and not concerned enough with finding out what prospects thought of the idea. Some realized that their passion and ego made them respond negatively to criticism and discount ideas for changes that they later saw would have increased the marketability of their offerings."⁶

Understanding the marketing and sales process that will accompany the actual product and its merits is a key component of the NPD process. Steps such as market assessments, product ideation, product validation, message testing, and post-launch surveys all play a role in this vital marketing and sales component, which cannot be overshadowed by a focus on the product's merits alone. The success of a product is greatly dependent on this knowledge.

Lesson: The sales and marketing process of NPD plays a strong role in the success and viability of the product.

Solution: Define actionable goals for the product and hold yourself



accountable to those goals. For example, what minimum profit margin are you willing to accept for a new product? 1 percent? 10 percent? 100 percent? When do you need your new product to provide a positive return on investment? Within 1 month? 1 year? 2 years?

Every business has a unique set of values, competitive advantages, and tolerances of risk. As such, you should define end goals for new products that align with your central goals, mission, and appetite for risk.

Defining a budget, minimum return on investment, and other baseline measurements of success for all of your new products before you invest time and resources into developing them ensures that you are not wasting efforts on products that are not profitable or are poor fits for your business model.

3 Forgetting to test your own assumptions

Strong assumptions often steer the NPD process; however, these assumptions may take you off course. A structured research process—rather than assumptions—will guide you towards a successful product launch.

The value of conducting research early on in the NPD process cannot be overstated. In discussing the two distinct stages of the NPD process, Bonabeau, Bodick, and Armstrong find that “companies often treat new-product development as a monolithic process, but it can be more rationally divided into two distinct stages: a truth-seeking early stage, focused on evaluating novel products’ prospects and eliminating bad bets, and a success-seeking late stage, focused on maximizing the value of products that have been cleared for development.”⁷ The key takeaway from this finding is the importance of *truth*. Your assumptions and hunches must be tested and validated before progressing.

In *The Path to Developing Successful New Products*, the Wall Street Journal discusses the importance of talking to the customer throughout the development process. By surveying employees at companies throughout North America and Europe, the researchers found that “the successful innovators in our study kept in close contact with customers throughout the development process. More than 80% of the top performers said they periodically tested and validated customer preferences during the development process, compared with just 43% of bottom performers. They were also twice as likely as the laggards to research what, exactly, customers wanted. That made them better able to identify and fix design concerns early on, minimizing project delays.”⁸ Highlighted in this article is the testing

of assumptions through research; so rather than proceeding on with the plan (which was developed based on assumptions rather than truths), top performers adjusted their assumptions to reflect

research throughout the process.

Front-end product ideation research through customer feedback helps companies avoid operating solely on assumptions. A key to the market success of Dyson vacuums was the front-end ideation and development research conducted before the launch of the first model. With a focus on creating a unique product that was “highly distinctive, broadly appealing, and pragmatic,” as well as creating “a rigorous capabilities-driven system to support these product attributes,” the final product was unique, reliable, and thoroughly tested by research before its release.⁹

Rather than proceeding based on assumptions, external validations through research will test assumptions.

Lesson: There is great value in research-based definitions of success and unbiased, external validations of success.

Solution: Incorporate internal and external stakeholder feedback throughout the product development process. Product development should not occur within a vacuum. A successful product requires someone to sell it, someone to market it, and most importantly of all, someone to buy it. **The perspectives and opinions of consumers, sales staff, and marketing staff, as well as other key internal stakeholders should be incorporated throughout the product development process to ensure that product design choices do not prevent future sales.** Feedback can be incorporated through quantitative surveys or qualitative interviews, depending on the size of the population you intend to reach. For example, surveys are typically the best approach for consumer products, such as outdoor grilling products, while interviews tend to be the best approach for markets with few purchasing decision makers, such as aircraft components. Inviting outside perspectives into the product development process, such as those provided by Hanover or other research firms, can be an excellent method of identifying biases or groupthink within an organization before those assumptions can permanently affect the success of a new product. Hanover’s iterative product concept testing surveys have identified numerous business to business and business to consumer products for which markets did not exist, saving our clients the embarrassment and costs of launching a failed product.

Using sound research will help you to steer clear of these three identified mistakes to avoid in the NPD process.

⁷ Bonabeau, E., Bodick, N., & Armstrong, R. “A More Rational Approach to New-Product Development.” *Harvard Business Review*, March 2008. <http://hbr.org/2008/03/a-more-rational-approach-to-new-product-development/ar/1>

⁸ Gordon, M., Musso, C., Rebentisch, E. & Gupta, N. “The Path To Developing Successful New Products.” *Wall Street Journal*, November 30, 2009. <http://online.wsj.com/news/articles/SB1001424052970203440104574400593760720388>

⁹ Kandybin, A. & Michaels, A. “Successful Product Development: Unique, Coherent... And Rare.” *Forbes*, July 29, 2013. <http://www.forbes.com/sites/boozandcompany/2013/07/29/successful-product-development-unique-coherent-and-rare/>



HANOVER RESEARCH

Hanover Research is a global information services firm providing knowledge support to both non-profit and for-profit organizations. Through our unique, fixed-fee model we deliver customized, timely, and authoritative research and advice enabling our clients to make informed decisions, identify and seize opportunities, and heighten their effectiveness.

Within the for-profit space, B2B and B2C executives apply Hanover Research's market trends, competitive intelligence assessments, and data insights to guide product development, size market opportunities, and gauge brand perception. These insights inform corporate strategy – enabling companies to work smarter to drive revenue and ensure customer satisfaction.

Our NPD Approach:

Hanover's research analysts take a systematic approach to help products make it to market throughout the entirety of the NPD process:

Step 1: Assess New Product Opportunities

Hanover first evaluates the market's current state, sizes how the initial concept would fit into the competitive landscape, and assesses market opportunities and threats.

Step 2: Identify Customer Needs and Decision Making Processes

Hanover will conduct interviews or surveys of potential purchasing decision makers to determine purchasing decision drivers and behaviors. These interviews and/or surveys, combined with the prior market assessment, will clarify the landscape of the market into which clients will introduce a new product or service.

Step 3: Iterative Product Concept Testing

Hanover will iteratively test each idea for a new product to determine the optimal product configuration. Through rigorous surveys and data analysis, clients understand the costs and benefits of their product choices and the potential effects that each choice may have on future earnings.

Further Support: Measure and Evaluate New Product Success

Following launch, Hanover develops and implements a custom methodology to measure success of the new product or service over time, providing continuous and up to date information to encourage systematic improvement of the offering.


By employing Hanover's custom research model to guide a product roadmap, companies gain access to the knowledge needed for a new product to both thrive and survive in a competitive market.

To learn more about Hanover Research's services and our unique model, contact [202.559.0050](tel:202.559.0050) or e-mail info@hanoverresearch.com

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