

Missing the Thrill?

Is the high cost of new product development hindering your growth?

By Jack Trytten, President, Insight Direction, Inc.

The thrill is indescribable – your new product, after a huge investment in dollars and effort, takes off like a rocket.

Wow.

Such successful new products bring dramatic benefits:

- ◆ Rapid company growth
- ◆ Increased sales and stature with customers
- ◆ Higher margins and profitability
- ◆ Soaring morale

Investors, employees or customers, they're energized around companies with strong, successful new product programs. And new products are fun.

But these same new products engender big, big risks with sleepless nights. The entire process is expensive; technical development, tooling, testing, training and the eventual introduction all involve a significant investment in dollars and time. Failure not only results in catastrophic loss of these investments, but also the opportunity cost of investing in a successful new product.

And because the failure so damages company stature, management throws good money is thrown after bad to rescue the effort. This usually doesn't work.

Reducing the Risk

The primary cause of failure is from the product never generating enough revenue to justify continuing. Your new idea just doesn't resonate with customers. Over 70% of all new consumer products and over 50% of all new business-to-business products fail. But if the product could be tested before you have to commit to your investment you could reduce this risk, perhaps eliminate it.

Most companies have attempted to manage their risk through the most common market research techniques, surveys and focus groups. In most cases these efforts

have not been helpful. The market research tools are not sensitive enough to measure the actual purchase intent. Researchers have tried modifying surveys and focus groups to make them more sensitive with little success. But if they were successful, if market research could accurately measure purchasing behavior, the expense would more than pay for itself. And we wouldn't experience the failure rates we do — 50% to 70%.

Also consider the benefits of using market research to measure the appeal of a new product when it is still nothing more than an idea. If accurate, the market research has eliminated the risk of development.

Predicting new product acceptance before development dramatically reduces risk.

Furthermore, such market research can now be used to explore unmet needs and desires in the market, identifying those areas for most fruitful product development.

Now the research is proactively leading your product developments rather than serving as an evaluation tool after you've invested the development dollars.

Solving the Problem

Frustrated by the failures of market research, we turned to psychologists and psychiatrists for their help. We were trying to forecast behavior of normal people performing normal everyday tasks -- deciding to purchase a product. These professionals were using their skills to deal with severe psychological disorders. While our challenge to them would have major impact on new product development it hardly caused them to break a sweat. Their suggestion -- spend less time dealing with the rational reason to buy and focus more on emotional issues.

They took us through recent studies of brain activity, soundly demonstrating that all decisions at their core are emotional. Our rational considerations are actually layered on to our emotional decision-making capability. In fact, the psychologists pointed out that individuals

become incapable of making a correct decision when they suffered brain trauma resulting in the elimination of their emotional decision-making capability but left with their ability to apply rationality.

With their assistance we've developed a market research suite of tools that allow us to probe and more accurately determine purchase intent. What we've found is that our earlier use of surveys and focus groups elicited most of the rational reasons to purchase a product. However, our new tools allow us to probe further and reach the emotional core of the decision.

For Example ...

We helped on the development of a new product with the manufacturer of capital equipment used in plant operations. While the product was still in concept stage, prior to engineering, we went out to the market and talked with plant managers. Our clients had predicted that the primary purchase decision would be based on energy efficiency. The plant manager, however, said that reliability was the primary criteria. But this was at the rational level and we used our new tools to probe further. We found that the emotional basis for reliability was the underlying fear of endangering their career, perhaps even being fired, if they were not able to justify their purchase decision should the product unexpectedly fail.

What kept them awake at night was the fear of not being able to pay their mortgage or the college tuition of their children because they screwed up the decision. And this fear was the driver of the decision.

With this in mind, we recommended to our client that

they focus their design on reliability. But as important, we recommended they direct their sales and marketing on emphasizing this highly personal, emotional basis for the decision making.

The launch of the product was the most successful in the company's history with sales far exceeding forecasts due to high market acceptance and a short sales cycle. This really works.

Broad Applications

We have since used these market research techniques in a wide variety of situations including packaged goods and consumer durables to industrial components, business services and financial products. In each case we've been able to help our client maximize the appeal of their product, focusing on the primary factors that drive the emotional core of the purchase decision.

We have also used the techniques to explore market needs and desires in a search for new products to be developed. This has allowed our clients to direct their energies on the areas most fruitful for product development.

The incredible risk that every company faces in developing new products has been an enormous barrier to the harnessing of the creativity of their marketing and technical personnel. Now these techniques enable companies to dramatically reduce that risk and experience the incredible excitement of watching their new products revolutionize their company and their markets.



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About the Author —

Jack Trytten is President and founder of Insight Direction, Inc., a leading new product development firm. With over 25 years of experience he has been involved with a broad range of new products from food to industrial chemicals, appliances and travel to electronic components and industrial equipment. The firm has been a leader in developing new research techniques to accurately predict consumer behavior.