Key Challenges of New Products

The Challenge of New Products

New product development is a key to ongoing marketing success. Without the ability to identify and implement successful new products a firm's growth prospects are substantially reduced. There are two challenges that firms need to overcome in this regard:

1. The ability to correctly identity and evaluate potential new product ideas that will fit to the brand and support future growth and profits, and
2. The ability to develop and successfully implement new products in the marketplace

Without the ability to complete the above two requirements (either by poor new product choice and evaluation and/or poor implementation), the firm/brand is likely to suffer from:

- brand stagnation = brand becoming outdated and old-fashioned in the minds of consumers
- inability to compete against newer product offerings
- erosion of market share
- limitation of growth prospects
- most product lines entering the late maturity or decline stage of the product lifecycle
- increased reliance on price competition – eroding profit margins
- and/or increased reliance on the promotional mix
- negative media and influencer attention
- loss of brand credibility
- loss of long-term loyal customers
- negative word-of-mouth

Obviously, this is an extreme list, but this would progressively happen over time, especially for firm/brands who failed to make traction with new products for many years.

Why Do Firms Introduce New Products?

Therefore, building on the above section and list of risks of not introducing new products, let's now look at a more positive list of why companies should introduce new products regularly:

- New products provide additional revenue streams
- Existing customers often like additional offerings from the same brand
- Brands are assets – and adding to the product lines that produce these assets
- Brand excitement = new products bring energy to the brand and keep it modern
- Better fit to consumer changing needs
- Able to target new market segments, including geographic expansion
- Can strengthen market positioning and differentiation
- Can provide a defensive barrier against competition
- Will assist in raising investment capital, if required
- Can increase market share through greater share-of-customer and the attraction of new customers
- Enables the company to adapt to evolving trends and new market conditions
- Enables the company to move to lower cost products (at times)
- Provides economy of scale benefits

As can be seen, there is a compelling case for both the benefits, and avoiding the above negatives, in an ongoing new product development program for companies and their brands. However, new product programs can carry risk, let's explore…

New Products Are Risky

Unfortunately, even though that most professional companies will analyze and evaluate new products before they bring them to market, new products will often fail.

When we use the word "fail" in a marketing sense, we are indicating that the product has failed for that particular company – not necessarily been unprofitable. For example, Apple could bring some new electronic product to the marketplace, but it only ends up making $10 million per year. Now for many companies, that would be a lot of money – but for Apple, they wouldn't view that product as a failure for their brand and strategy.

Why Do New Products Fail?

While statistics vary, the failure rate of the product is substantial, and some of the common reasons for new product failure include:

- Limited market need, or a too small market
- Lack of product differentiation
- Cannot compete against established competitors
- Poor product design and features
- Weak supporting brand
- Underinvestment in the development and/or launch
- Poor pricing and/or cost structure
- Limited access to distributors and channels
- Aggressive competitive actions
- Limited or short-term support for the new product – as many products take several years to be successful
- Launch too early in the introduction phase of the new product lifecycle
- Misreading customer needs and/or consumer trends
- Targeting a new market segment without prior experience
- Targeting new customers rather than existing customers (product dependent)
- The new product has a more fit to brand image
- Insufficient promotional expenditure
- Weak supplier or buyer bargaining position

How to Evaluate a New Product Idea?

There are a number of key questions to ask prior to introducing a new product. These include:

- Is this the most attractive opportunity to pursue at this time?
- Does it fit with our strategy and direction?
- Can we be successful in marketing the product?
- Can we make a suitable financial return?
- Can we make it well technically?
- Is there a consumer need?
- Is there a viable gap in the market?
- Do we have a competitive advantage and/or clear differentiation?
- Does the product meet a growing or long-term opportunity?

Student Discussion Questions

1. What are the two main challenges that firms face in developing new products? How are these two factors interrelated? That is, why would a weakness in the evaluation process result in a reduced ability to successfully implement new products?

2. Does brand stagnation represent a risk to long-standing brands that promote their heritage? For example, "classic" Coca-Cola was invented in the 1880s and the Big Mac has been around for 50 years plus.

3. In the first list of negatives of a poor product development program, what are the top three most concerning risks in your view?

4. Likewise, in the second list of why firms introduce new products, what are the top three benefits in your view?

5. Based on Q3 and Q4, do you think that all brands/firms need to introduce new products (especially if they are already successful and profitable)?

6. Do you agree that a new product that generates profits could still be considered a failure for some companies?

7. Look at the final list of "How to Evaluate a New Product Idea" - shorten this list to five key factors only. Then apply an importance weighting to each factor (so the scores add up to 100 points). Highlight why your "evaluation model" will be effective for marketers to help improve their new product success rates.