Tangible and Intangible Reasons for New Product Failure

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The number of new packaged goods introduced annually into the U.S. market increased by more than fifty percent between 1978 and 1983. Annual new product introductions from 1964 to 1978 averaged about 878, while in 1983 approximately 1,803 new products were launched. Just between 1982 and 1983 the number jumped by 19%.

Unfortunately, one third of these ventures founder each year, at high cost to the companies in terms of capital, time, effort, and, potentially, market reputation. However, to look on the bright side, fifteen years' experience of researching and monitoring the progress of over 2,000 new products has convinced me that most of these failures could be avoided by a clearer awareness of the reasons behind them.

The causes of new product failures fall into two categories, which I will call tangible and intangible. Tangible reasons include such readily perceptible factors as poor product quality and competitive reaction. Intangible reasons are the subtler problems resulting from counterproductive corporate situations and attitu-
des toward new product development. The former factors are often the results of the latter.

TANGIBLE REASONS FOR FAILURE

The product itself

The most crucial tangible reason for product failure, not surprisingly, is poor quality. No manufacturer should risk introducing a new product that is not at parity with or superior to its competitors into today's crowded, sophisticated marketplace. Consumers have far too many purchase options to tolerate an inferior product; moreover, association with such an offering will hardly make the manufacturer's name more attractive to them in the future.

Similarly, they have no need to strike a bad bargain.

Appropriate pricing is a vital factor in consumer acceptance and that should be tested carefully along with product quality. The table below demonstrates the dramatic difference in respondents' purchase intent scores for the same concept priced and unpriced.

THE IMPORTANCE OF USING PRICE INFORMATION IN CONCEPT TESTING

<table>
<thead>
<tr>
<th>Purchase Intent</th>
<th>Concept A (no price)</th>
<th>Concept A (with price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely Would Buy</td>
<td>25%</td>
<td>7%</td>
</tr>
<tr>
<td>Probably Would Buy</td>
<td>42%</td>
<td>42%</td>
</tr>
<tr>
<td>Might or Might Not Buy</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Probably Would Not Buy</td>
<td>7%</td>
<td>21%</td>
</tr>
<tr>
<td>Definitely Would Not Buy</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Concept A, tested without a price (or range of prices), would have been considered a good risk with a 67% positive purchase intent. Sent into the marketplace with much expensive fanfare, it would have been greeted by the indifferent response represented by the 49% score.
No matter how good the quality or how reasonable the price, a new product's concept must have an appeal broad enough to warrant expenditures. The desire to make an original contribution to a category must be balanced by the need to avoid a degree of specialization or outlandishness that the market cannot support. On the other hand, it must be, indeed, a new product, with apparent consumer benefits exceeding or complementing those of its competition. There must be a gap to fill, and a fairly big one.

**Marketing Factors**

Once the new product's quality, price and concept are satisfactory, the company should launch it with confidence. Lending only tentative marketing support can sabotage even a brilliant prospect and render pointless all the time, money, and skill that were put into its development and testing. The effect of various levels of advertising, promotion, and distribution should be tested along with the product characteristics in order to ensure adequate exposure without waste.

Quality of support is as important as quantity.

A bad commercial - one that is bland or misleading or creates ill-will - will not only hold back the product, but will also put a strain on marketing expenditures, which may be raised to compensate for its ineffectiveness. Invisible packaging likewise serves to nullify good efforts made in other areas of the total marketing investment.

The final tangible factor to be considered is the reaction of the new product's competitors. Obviously, this is the element of failure that can be controlled least, although it must be reckoned with in advance as much as possible. Several possible competitive responses should be considered and their potential sales impact on the new product be evaluated through simulation models. Usually this is a low cost and effective tool that can be combined easily with other pre-test market research.

**Summary of Tangible Reasons**

1. The new product is inferior in quality to the competition.
2. The price is too high in relation to value or consumer need.
3. The concept lacks broad appeal, being either too ordinary or too specialized.
4. "Penny-wise" marketing plans (advertising, promotion and distribution) prevent the new product from gaining adequate exposure or reaching enough consumers.
5. Poor advertising or packaging quality undermines its appeal and strains expenditures.
6. Potential competitive reaction is overlooked.

**INTANGIBLE ORIGINS OF FAILURE**

**Unsupportive Corporate Structure**

While one or more of the mistakes discussed above could be made under any circumstances, the organizational structure out of which new products typically are born makes them far too likely to occur. Because the development process takes place between two or three separate departments - R&D, Marketing, and Marketing Research - the effort is neither cohesive nor inclined to be whole-hearted. Responsibility is shared, duties are scattered, and attention is doled out to the new venture by persons and groups already absorbed in other projects. This priority of established products can undermine considerably the energy needed to coordinate contributions and steer clear of the many potential pitfalls.

**Racing to Market**

In addition to dissipation of focus, two other factors work actively against carefulness: the traditionally high turnover in Marketing personnel and the system of basing bonuses partially on the number of new products introduced during the year. Thus, the proper goal of long-range success paramount, and haste becomes the standard procedure.

This haste is often accelerated further by reactions to comp-

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etitors' projects, which can push the new product into an even worse state of unreadiness.

**Inadequate Marketing Research**

Partly as a result of this unsatisfactory development process and tradition of haste, the likely consumer reception of many new products is underresearched or inappropriately researched.

Two factors that must be adjusted for in order to obtain usable results are the place and time of the test. Sensitive use of category development indexes (CDI's) will give the manufacturer a clearer idea of how the new product will fare nationwide or in other parts of the country in addition to the test site. Consideration of seasonality will indicate whether or not the product will succeed at other times of the year. The following table shows the difference in purchase intent that the time of the test can produce:

**SEASONALITY AFFECTS CONSUMER RESPONSE ON KEY MEASURES**

<table>
<thead>
<tr>
<th>Purchase Intent</th>
<th>During Season</th>
<th>After Season</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definitely Would Buy</td>
<td>15.9%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Probably Would Buy</td>
<td>51.5%</td>
<td>46.3%</td>
</tr>
<tr>
<td>Might or Might Not Buy</td>
<td>18.3%</td>
<td>25.3%</td>
</tr>
<tr>
<td>Probably Would Not Buy</td>
<td>11.9%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Definitely Would Not Buy</td>
<td>2.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100%</td>
<td>99.9%</td>
</tr>
</tbody>
</table>

A third key factor is the price, which must be the actual figure to be used in the launch or very close to it. Too often the price at which the new product is tested is changed by the end of the research process, usually because original cost calculations turned out to be too low. If this happens, the product should be retested at the new price or reevaluated for volumetric impact.

Norms of product success drawn from the history of the category indicate how high the purchase intent scores, trial
rates, esc., that are achieved in a test must be in order to predict acceptance. While these norms are very valuable, they must be used with sense and discretion. The researcher must ask himself or herself, first, if the norms are up-to-date enough to be relevant, and second, whether or not they really apply to this new product. Since a new product is often an original concept, this second question must be answered carefully.

There are a number of stages in the creation of a new product, at each of which research can be conducted:

- Concept Generation
- Concept Screening & Concept Test
- Refined Concept with Product Test
- Micro Market Test
- Test Market
- National or Regional Launch

One of the most disastrous research errors typically made is testing too late. The new product development process acquires a momentum of its own: the more money and effort invested in it, the more inevitable the launch becomes. No one wants to abort the project at a high point of maturation. Thus warning signs from the test market - usually the first and only research done - are ignored in the blind hope that all that effort will prevail somehow. In addition, the fine tuning that might have resulted from early testing is lost.

**Emotional Decisions**

Sometimes marketing research is less mishandled than simply ignored. For one reason or another, the Marketing Department or a powerful executive will become overly enthusiastic about a "great idea" and push it through despite all objective evidence. Such emotional decision-making can be one of the most expensive slips of all, since the odds are barely reckoned with at all.

**Summary of Intangible Reasons**

1. Since new product development is shared among the Marketing, Marketing Research and R&D Departments, it is often a process of secondary importance marked by confusion.
and low energy.

2. High personnel turnover, a bonus system based on number of introductions, and competitive panic push unready new products into the market.

3. Inadequate marketing research fails to protect the venture from avoidable problems:
   △ The impacts of seasonality, CDI, and actual price are not reckoned with.
   △ Norms are used unwisely.
   △ Testing is done too late to provide valuable changes or halt a doomed project.

4. Research is ignored because of personal enthusiasm.

**Toward a New Policy**

Far fewer new ventures would fail given serious attention and logical planning. Following are a number of suggestions that can help achieve consistently successful results:

1. "House" new product development securely and legitimately within the corporation in an independent New Product Department, or at least a dedicated group. This staff should be drawn from the Marketing, Marketing Research, and R&D departments, but should assume a clear new identity and strong common goals.

2. Establish and implement an automatic decision process based on a goal of long-range, permanent success. Criteria for each project should be set even prior to concept testing and adhered to firmly.

3. Apply reliable and relevant market research techniques as early as possible to minimize unnecessary capital expenditure. At each stage of the development process, check the new product's progress against your criteria through volumetric measures.

4. "Sell no new product before its time." Don't allow internal corporate or external competitive pressures to break down your pre-set timetable. Base timing on the product's state of readiness.
5. Don't gamble on the quality, concept, or consumer value of a new product. Respect the needs and shrewdness of your potential buyers and offer them only the best you have.

6. Once you have a new product you can rely on, give it the marketing support it requires in order to compete successfully for the consumers' attention.