

Developing Successful New Products: Cut the Risk of New Product Development With New Research Methods

By Jack Trytten, President, Insight Direction, Inc.

New product development is expensive. With all the caution this cost inspires, still 70% of all new products fail. Even with thorough evaluation of concepts and products prior to launch, companies are faced with worse odds than any game in Las Vegas .

To reduce risk, companies create "safe" new products, such as line extensions of their successes. But is a pliers with a 90° bend significantly different than one with a 70° bend? Such "new" products don't offer a significantly larger margin than current products and they cannibalize sales of existing products. Net gain of zero.

Reducing Risk Through Market Knowledge

Most consumer product companies follow "best practices," using focus groups and surveys to evaluate new product acceptance. This research is expensive, often costing \$60 to \$100 thousand or more. While providing some apparent insight, the new product failure rate still does not decrease significantly. This research does not accurately measure purchase intent.

Advances in understanding neurological processes are giving us insight into the underlying mental activities involved in the purchase decision. This same understanding explains why surveys and focus groups have limited use. New techniques for buyer behavior research are dramatically increasing the success rate for new product development with accurate prediction of acceptance and adoption by the market. But the research provides more:

- Direction for maximizing appeal
- Savings through identification of features with little value
- Reduced sales cycles
- Faster and broader market penetration

Intimate
knowledge
reduces risk.

Now you can gain a comprehensive understanding of the mental processes of the purchaser and dramatically improve your odds.

New Research Methods Probe The Emotional Mind of the Buyer

Buyers purchase for very logical, understandable reasons. However, the reasons only become obvious after you explore the decision. For example, a client wished to introduce a major piece of capital equipment, part of the basic infrastructure of a manufacturing plant.

For years, the commonly accepted knowledge in the industry was that energy efficiency drove the purchase. Our client and their competitors developed ingenious ways to measure and dramatize their efficient use of energy, and, of course, each competitor was the best based on their methodology. Our research demonstrated that this measurement game had thoroughly confused the buyers. More importantly, the buyers had little interest in energy efficiency.

What drove the purchase was a surprising emotion. As one plant manager phrased it, "If this (equipment) goes down, our plant is on paid vacation until I get it up again. The president will demand to know who's responsible for this. I could get fired. I'm terrified of having to go home and tell my wife I've been let go because I made a poor purchase."

The avoidance of shame drove the purchase. The new research uncovered this emotion which was confirmed with additional interviews.

Rational or Emotional?

Most marketers focus solely on the rational process. It's the most obvious and most easily researched. However, your brain has a hierarchy of decision-making capabilities.

Neuroscientists have identified and explored this hierarchy of decision processes:

1	Rational
2	Beliefs – Aspirations – Habits – Values
3	Emotions
4	Drives, Motivations – Hunger, thirst, curiosity, play, sex
5	Pain and Pleasure
6	Basic metabolism, reflexes

When faced with a decision, all processes are at work. Each level, with 7 as the most basic, represents an evolutionary improvement in your ability to discriminate between life sustaining opportunities and threats. Each level builds on the prior but does not replace it.

The top three levels have the greatest impact on purchase decisions. You must explore the impact of these three together to accurately determine the success of a new product.

Accuracy Across a Broad Range of Markets and Products

Working with neuroscientists and clinical mental health practitioners, we developed Deep DialoguesSM, a research method to explore the deeper motivations driving the purchase decision. Using our research we’ve fine-tuned the development and marketing of a wide variety of products offered to a broad range of markets:

<u>Product</u>	<u>Market</u>
Breakfast Bars	Food
Airline	Travel
Kitchen appliances	Consumer
Baking ingredients	Food Manufacturing
Telecom Service	Small Business
Digital Cameras	Consumer
Data Backup	Small Business
IT Security	Small to Medium Business
Building Components	Architect / Gen'l Contractor
Curriculum Training	Education
Thermoplastics	Manufacturing

Reducing the Risk of New Products

The process of determining the potential success of the product provides comprehensive detail valuable to product development. The basic issue is whether or not the product will be successful in the market as currently conceived. An early answer to this, often at the concept stage, results in significant savings in development funds.

In addition, our efforts frequently provide direction on features and benefits that enhance the product’s value proposition and features that can be ignored.

The clear understanding of the purchase drivers aids the sales efforts by focusing marketing messages with the result of rapid adoption, short sales cycles and higher market shares.

The client introducing plant equipment is an excellent example. They rethought their design to focus on reliability, modifying controls, bearings, and vibration monitoring, providing a better product. They then saved costs by eliminating features of little value. Their sales force training emphasized the emotional needs of the buyer while the marketing communications supported the critical promise of not shaming the plant manager. The results:

- Lower product cost
- Higher selling price
- 50% reduction of sales cycle
- 10 point increase in category market share
- Dramatic increase in profits

This intimate knowledge of the true motivating factors in the purchase decision significantly reduces the risks inherent in new product development. Where so many products fail, over 70%, knowledge of the true purchase drivers leads to faster acceptance, more tailored products with less investment and greater rewards. ☺

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