

New Product Innovations and Launching Strategies

by Leigh Cowan

Perhaps the problem with new product innovation is nobody knows that they can't live without your product or service, yet. In fact, launching in established product categories requires a very different approach to new innovations.

Discontinuous Innovation

A Discontinuous Innovation is one that requires new experience, understanding and learning to be able to be used properly. The classic example is the microwave oven, which took 20 years of dormant activity before being accepted by the market place.

So why is it hard to launch new innovation product & services?

The answer lies in understanding the secret of good marketing, Market segmentation. The most common reason business fail is in assuming that all potential customers are cookie-cutter replicas of each other.

Knowing the need and wants of attractive segments, being able to identify them meaningfully and communicate with them cost effectively, means productive manipulation of the elements of the marketing mix and progressive addressing of the six stages of buyer read

Understanding Buyer Readiness states, in relation to market segmentation, leads to clarity of management decision making, ensuring the right communications strategy is employed to generate optimal return on investment from your promotional mix (the balance of advertising, sales promotions, PR and personal selling).

The simple rule is you MUST always focus on the first of the weakest state, being mindful that the earlier stages constrain the following ones: If only 10% of the target audience are AWARE of your product, then only a propor-

To understand the marketing, let's define 'innovation': There are three basic types of product innovation:

Continuous Innovation

A Continuous Innovation is simply a new model... the same idea, with a minor facelift or design tweak where there is no learning curve for consumers. For example, the latest model toaster, electric knife or blender... are simply continuous innovations. Other examples are this year's new VW Golf, Toyota Corolla and Porsche 911.



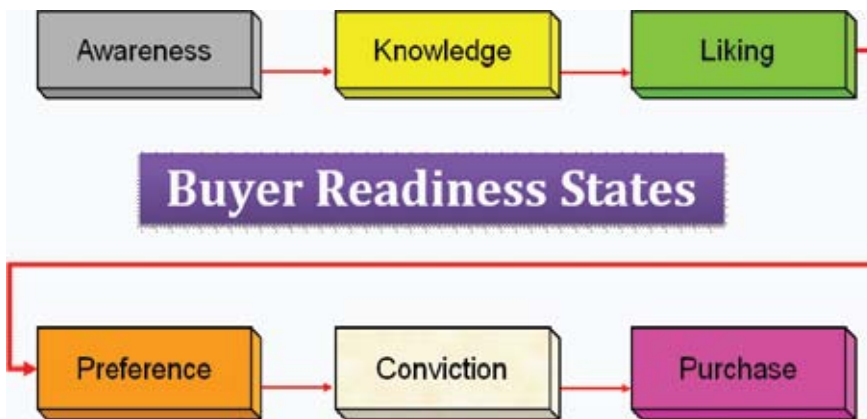
Dynamically Continuous Innovation

A Dynamically Continuous Innovation is where two concepts or more are combined, so there is a 'learning curves' but buyers can easily understand the product idea. For example, the disposable lighter which takes the concept of a lighter, with the concept of matches, to provide the combined benefits of both.



A recent dynamically continuous innovation is a Dutch space-saving idea in a housing project... They joined a sink and toilet at the hip (left) and stumbled upon a simple design that could save thousands of gallons of water.

Other examples of Dynamically Continuous Innovations are the iPod, hybrid cars like the Toyota Prius, the impending 3D television.



How to successfully launch technical innovation

Studies of the buyer adoption process show us that there are different characteristics constantly common to the adoption of new innovation. “Innovators” represent around 2.5% of any market. Understanding the nature of innovators, helps us build winning product launches: They are ‘enthusiasts’ in the field of your innovation, at the younger end of the age spectrum, with high disposable income, and a real thirst for knowledge. They are a little more educated than average, and likely to influence “Early Adopters”. They will seek out information, and go through a bit more ‘pain’ to try your product, searching it out, paying a bit more, struggling through the learning curve, just so they can be first to use it.

They are followed by “Early Adopters” up to 13.5% of the potential market, who have less pioneering spirit but still a thirst for newness, experimentation, and novelty. They will also suffer some pain in terms of ease of use, price, availability, learning curve and other barriers to easy adoption.

They have a boredom threshold too, so don’t be too long in adjusting your marketing mix to them as they will move on to the next thing and forget you unless you secure their elation... in which case they become evangelists for your products and can almost guarantee greater market adoption; This is key because at this point marketers face their greatest threat... “The Marketing Gap”.

¹ Those that shake their heads and say, ‘we can’t afford market research’ are wrong. In these days virtually every business already has captured the information they need, they just don’t know how to use it.

tion of that 10% knows about it, likes it, prefers it, is convinced they should buy it, and do so. This means, even if you have everything else right, only 10% of the market will buy... Double awareness and your sales will double. Of course, some companies, get ‘stuck’ on awareness and forget to move into the five other stages.

The base problem still comes down to imperfect market segmentation... making businesses market themselves inefficiency, pushing cost of sales up, and profits down. Weak marketing communications don’t acknowledge buyer readiness stages, and that creates more problems. Or sometimes, management has neglected to create and follow a formal and comprehensive marketing plan, making marketing effort disjointed and ineffective.

In fact many continuous and dynamically continuous innovations are victims of simple ‘market homogenization’ by management, spawned from weak or non-existent marketing planning that also undermines operational marketing activities.

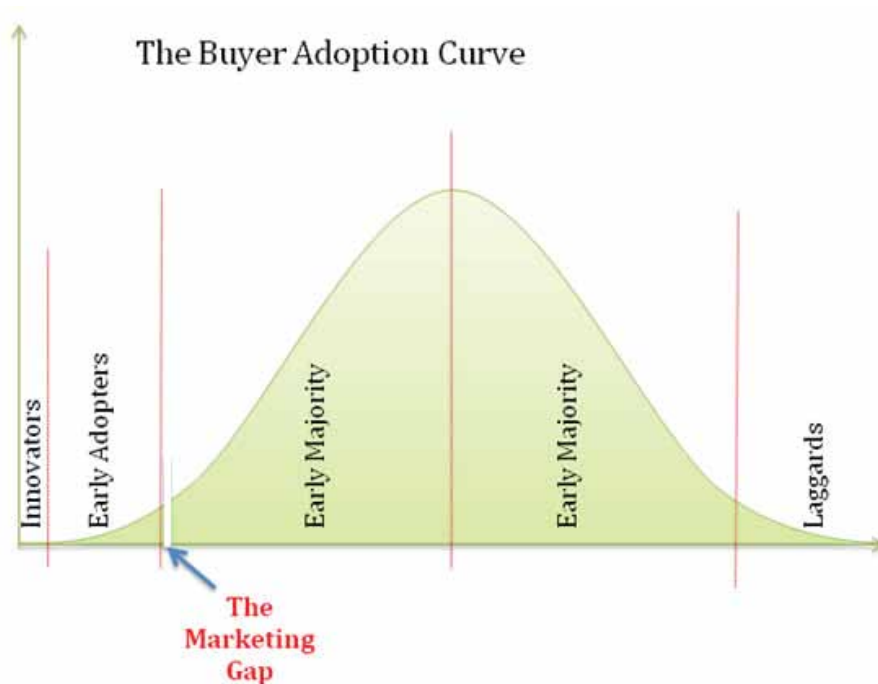
In the rare instance of new-to-the-world, truly discontinuous innovations, the rules are a bit different

For new, raw, immature, and uneducated or uninformed markets, ‘segments’ don’t exist, just different mind-sets. The secret of success is in the nature of the Buyer Adoption Curve, and understanding the Marketing Gap.

There is an excellent marketing simulation software tool, called “Markstrat™” that is used in better marketing schools around the world, that contains a simulation of an established growing market with segments, and a new innovation developing market that requires understanding of the marketing of innovation.

The lesson learned is that segments don’t develop immediately, and markets are always in a constant state of change.

(Few people believe that Coca Cola invests up the 3% of its sales turnover in market research. Those that do shake their heads in acknowledgement of the fact it is the world’s most highly valued brand; not because of some magic or ‘luck’ but simple scientific market segmentation.¹)



The following group, 34% of the population is where the big money is to be made... not from margins, but from volume. Products that fail do not cross 'the gap' to the group. The mean reason is that the marketing mix has to change, radically, and too many businesses cling to the successful strategies that have worked in attracting innovators and early adopters. The Early Majority won't have a bar of that! They will refuse to adopt. The product or service falls into the marketing gap... and fails!

Upon securing a large chunk of Early Adopters, businesses MUST change their marketing mix to meet the characteristics of Early Majority, or sales will just decay, and the product will 'fail'.

They want easy access.. that means mass distribution. They want lower prices. Not a little – a lot! This means a company has to have generated cost advantage methods and be able to produce much cheaper than it could when it was servicing innovators. Fail here and it is over.

Early Majority need a totally different type of promotional mix... easily understood appealing, relevant, satisfying the buyer readiness stages you expect them to experience. The product has to be easier to use, to install, to assemble, to apply or understand. Manuals have to be foolproof, instructions absolutely simple and appearance must meet or surpass their expectations. Use and design must be intuitive and foolproof.

Once Early Majority is pleased and adopts your products the rest becomes easier. The "Late Majority" will respond to greater price incentives and follow when perceived value improves.

"Laggards", the final part of the market may never adopt. This 16% of the market will resist the innovation preferring habitual alternatives until forced to change. At this stage the marketing mix must change again. An example might be to reduce advertising, assuming the market needs no further information, and investing into political lobbying to make you product mandatory or obligatory.

Not the full story

The science of marketing is far more complex than can be explained in 1200 words... and there are complexities to the above that add more thrills to the job of launching new innovations, but the tools explained are likely to help many companies in most situations.

For more information readers are invited to peruse www.launchengineering.com and help themselves to the various free downloads available. ■



About the Author

Leigh Cowan is a leading authority on marketing strategy, brand management, marketing communications and FMCG product sampling, currently employed as a strategic marketing consultant with Launch Engineering, a marketing research and strategic planning consultancy operating out of Sydney Australia.

Over his career, Leigh has taught in post-graduate MBA and undergraduate Universities in Sydney, enjoyed a 25-year career of extraordinary marketing achievement, as Marketing Director in FMCG, as well as B2B, roles and has assisted major national and international companies to achieve record-breaking sales and profit results, and is recognized as an influential thinker in management and marketing strategy having developed marketing models including the Law of Negative Brand Equity.

In 1984, even before he completed his rigorous university studies, he was awarded an AFAMI, a prestigious professional recognition awarded for commercial marketing achievement. He is the author of numerous marketing articles.