

Chapter 1

The Fascination of the New

New products create history.

Think about the printing press. Or the telephone. The airplane. The automobile. The computer. Each of those products—and we're sure you can come up with your own list¹—changed forever the way everyone lives works and plays.

So, it isn't hyperbole, it's fact. New products shape history.

Now, notice we said it is new products, and not new inventions, that change the world. Inventions by themselves don't do much. The creation of moveable type didn't affect much of anything, until Guttenberg made it the integral part of a printing press. The wheel—which many consider the greatest invention of all time—and the combustible engine individually were great, but it was only when they were combined did we get the automobile, which altered everything from where we lived

¹ For one whimsical list, see Appendix A.

(suburbs were suddenly possible) to where we were able to earn a living.
(All at once, we could commute to our jobs.)

The distinction between inventions and new products is important because—as we will see in the pages ahead—companies are terrific and coming up with inventions. There is no lack of ideas. The big problem is getting them executed. Businesses are simply terrible at turning all those ideas and inventions into new products that people are willing to pay for.

And that means they are missing a huge opportunity because not only do new products create history, they have a tremendous impact on both on our personal lives, and the economy in general. They have a psychological, social and economic effect on the world around us.

Let's deal with each of those factors individually.

Psychology

The psychological impact of new products is greater than you might believe. Just think of “early adopters,” those people who are among the first to try a new product—say audio equipment—and then serve as a resource for their friends who are looking to buy a new CD player or a different set of speakers. The influence of these early adopters is so well known that marketers now go out of the way to target them—that is what

word-of-marketing and buzz marketing are all about—knowing that their endorsement carries substantial weight.

Now these early adopters are not trying out new sound systems just to be helpful to their friends. They also like the fact that they are the first to know what is going on. It makes them feel good.

Everybody wants to be an authority, to be an expert, to be respected, and being an opinion leader—based on your knowledge of the new products out there—gives you that. People come to you and ask your opinion about what they should buy, and that makes you feel good.

But even if you are not an “early adopter,” if you are like most people, purchasing a new product makes you happy. We have done a lot of research on this and we learned that people have a great desire to have variety in their lives. The cliché is right: Variety is the spice of life. Our work shows people really want more flavors, more forms, and more choices even when it comes to something as basic as cheese. They want it infused with basil and tomato, for example, or in a hunk as well sliced. They are looking for companies to be innovative in order to satisfy their desire for variety, we hear this over and over again when we do consumer research.

For example, “I love to try new things, was the answer that 63% of Americans gave us when we asked them. And as you can see from this table, there are a lot of people who are looking for new products. In fact

nearly about three in every ten people say “trying new products is an important part of my life.”

Shopping Attitudes*

“Consumers are ready and willing to try new things”

	Total	Income		Education	
		<\$50K	\$50K or more	Less than College	Bachelor's Degree or Higher
	(1013)	(479)	(340)	(643)	(370)
	%	%	%	%	%
I'm not afraid to try new things	76	75	78	73	81
I love to try new things	63	66	60	63	62
Shopping is fun for me	46	49	45	48	42
New products can really make a difference in my life	44	46	45	41	48
I go out of my way to look for new products	22	22	24	21	24

And, they actively, seek out new products, in an attempt to improve their life, or simply because it is fun to try something new.

New Product Attitudes*

“Consumers are on the hunt for new products”

	Total	Income		Education	
		<\$50K	\$50K or more	Less than College	Bachelor's Degree or Higher
	(1013)	(479)	(534)	()	(0)
	%	%	%	%	%
I'm looking for improvements in my life	72	72	74	69	78
I try new products because it is fun	51	55	47	49	54
Trying new things is an important part of my life	29	28	31	26	33

Related to that is the fact that shopping makes you feel better. We have data on that.

Shopping Attitudes

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	Total	Income		Education	
		<\$50K	\$50K or more	Less than College	Bachelor's Degree or Higher
	(1013)	(479)	(340)	(643)	(370)
	%	%	%	%	%
Shopping is not boring; I buy different products all the time	52	54	52	54	50
Shopping is fun for me	46	49	45	48	42

So, not only does acquiring the new product make us happy, but the whole process of acquiring it—learning about it, shopping for it, purchasing it and then using it—is fun. It brings enjoyment into our lives. Those findings make sense. People like shopping for new furniture, a new house, new clothes, a new car.

There is no doubt that new products give people a psychological boost.

Social

And clearly new products are a social engine as well. The fact of the matter is people like new things because of the reaction it triggers among their friends. (“Is that a new dress?”) There’s something about purchasing a new product that taps into the very essence of humanity. It affects the quality of our lives. I can’t imagine anybody who’s bought

something: A new car, a new suit, a new washer or dryer in order to degrade their lifestyle.

And then there is, of course, the question of status. Back when many more people smoked than they do today, they used to say every time you pulled out your pack of cigarettes you were telling people who you were (a Marlboro man; someone who is Kool.) That reasoning still applies to our other purchases. It says something to your peer group that you were among the first to own a flat screen television, or that you bought a hybrid automobile before the rest of your group or that you were the person who “discovered” a new sauce that Emeril introduced. But doing any (or all) of those things, you were saying that “I have a particular place in society that sets me apart from the average person.”

I don't want to get too philosophical here, but just like people have an innate desire to procreate, they have an innate desire to own new things. New products are a part of the very fabric of people's lives in America—and indeed part of the fabric of lives of everyone around the world.

One flippant explanation for why communism fell is that the people in Eastern Europe wanted blue jeans. That was a short-hand way of saying they wanted the products that were solely available in the west, and the only way to obtain them was to adopt a western style of

government. And so the Berlin Wall fell and communist dictatorships were replaced by (rudimentary forms of) capitalism.

I don't know how much weight I give to that theory. But there is no doubt that the fact the people in Eastern Europe wanted western goods is a great example of how the desire for new and different and better is part of the human condition. It doesn't rate at the very top, when we are ranking human needs—no one is going to say that a plasma television is more important than food and shelter—but it is clearly there. People want new. I'm not a preacher. But if we didn't have anything new ever again, what would the world be like?

And our desire for the new has ripple affects, not only through society but in our economy in general.

Economics

Ultimately the reason we are interested in how new products can be developed and introduced more effectively is because of the money involved. New products are incredibly valuable.

For one thing, they expand your customer base by attracting new clients. By definition that's what new products are intended to do. But, when developed and introduced well, they do so much more.

They help retain existing customers by continuing to meet their changing needs. That's an idea that is very important, and one that I have hammered home in my consulting.

Think about your business. You have a product line with a target market defined by demographics, psychographics or purchase behavior for instance. If all you did was continue to market the same product to those same customers, you'd eventually go out of business. There are two reasons why. One is your competition is constantly trying to woo them away. And how do they woo them away? With an offering that is new, that is something different from your product. Eventually, they will be able to attract a certain percentage of your customers.

The second reason? There is a bit of a wear-out factor. As we have seen, people like new things and at some point they are going to look for something different. Marketing guru Kevin Clancy argued this all time: All other things held constant, your product is in a constant state of atrophy. It is dying bit by bit. Introducing new products will counter-act the decline and eventually add to greater revenues.

So, if you think about it, new products are your best defense. They are an offensive effort—by introducing new products you are trying to get more revenues—but they are a great defensive move as well, since sales from new products can offset the loss in revenues that comes from

competitors luring away your customers and your customers getting tired of buying the same old thing (from you.)

If you launch a new product, it helps you retain your existing base. You are giving your customers another reason to do business with you, instead of jumping to someone else. You have come up with a way to keep them constantly happy, not just through customer service but through satisfying their inherent need to try something new. You have met their needs.

(And, of course, since they are buying from you, they are not buying from your competition; so not only are you helped, but the companies you are competing with are hurt.)

But for all that to happen, it means I need to keep giving customers something new. And that sets up the next point. New products help you attain a greater share of each customer's business, a larger part of their wallet.

Very few people give you 100% of their available budget in any given category. They are cheating on you every day. But by introducing new products, I give them less of a reason to cheat. They have no reason to go elsewhere, because I am offering what they are looking for.

For instance, people use both aerosol air fresheners as well as plug ins. If I'm in the air freshener business and I only compete on the plug in side, I'm losing out to the people who sell aerosol. I need to have my

brand come in both aerosol and plug in. If I do, not only does it get me additional market share, it insulates my company from competition.

And, of course, there is a non-advertising/marketing benefit as well. Working on new products makes employees happier. All things held constant, it's pretty exciting to be involved with a company that's launching new products. It's more fun to work with something new. It's fresh; it gets your juices going. It gives you something different to think about. People like all that. You don't want to do the same thing every day. It's more fun to be working on something new.

Not surprisingly then, all these factors have an impact on the company and its share price. Here is the way Gail McGovern, David Court, John A. Quelch and Blair Crawford put it in a recent **Harvard Business Review** article.

Top-line revenue growth, especially organic growth, ultimately boosts shareholder value, so investors increasingly demand it. In fact, the presumption of organic growth is baked into companies' stock value. If you decompose the stock prices of the leading consumer product companies, you'll see that future growth accounts for as much as 54% of the stocks total value.

That's an important point. When people discuss a company's share price, people love to talk about alliances and acquisitions as way to get

the stock price up. Both those things are glamorous, but each is notoriously poor at generating greater shareholder value. What does cause the share price to increase is a hot new product. Think about what happened to Apple's shares when it unveiled the iPod.

And, finally, there is the macro effect on the economy that new products have. They spur competition. New products beget other new products. If I launch the iPod successfully, that will cause other companies to introduce MP3 players, and then the race will be on to make them better and cheaper. If you are a capitalist, you think the competition caused by new products is a good thing.

Ultimately, all this leads to a certain amount of job creation, so its not overstating the situation to say that new products are the engine that fuels society and drives GDP growth. They have made history, and they continue to shape people's lives.

Moving on

What is clear from all this is there is a new product paradox.

People want new products, yet companies are simply awful at developing and delivering in any sort of an efficient manner.

The question is why. Why are we launching so many products that are so bad? Why is it that the operating methodology continues to be to

throw a bunch of stuff up against the wall and see what sticks, as opposed to figuring out how to get the new product marketing process right?

We'll explain why that is the case, in the pages ahead.

Appendix A

The 20 Greatest Inventions in Human History

(according to the Oracle Education Foundation)

1. Printing Press – 1450 – Johannes Gutenberg
2. Water Thermometer – 1593 - Galileo Galilei
3. Adding Machine – 1642 - Blaise Pascal
4. Barometer – 1643 - Evangelista Torricelli
5. Steam Engine – 1769 - James Watt
6. Bifocal Lens – 1780 - Benjamin Franklin
7. Hot-Air Balloon – 1783 - Joseph Michel and Jacques Etienne Montgolfier
8. Electric Battery – 1800 - Alessandro Volta
9. Blue Jeans – 1848 - Levi Strauss
10. Dynamite – 1866 - Alfred Bernhard Nobel
11. Telephone – 1876 - Alexander Graham Bell
12. Light Bulb – 1879 - Thomas Alva Edison
13. Discovery of X-rays – 1895 - Wilhelm Conrad Roentgen
14. Airplane – 1903 - Wilbur and Orville Wright
15. Theory of Relativity – 1905 - Albert Einstein
16. Microwave – 1947 - Percy Spencer
17. Microprocessor – 1971 - Ted Hoff
18. Rubik's Cube – 1974 - Erno Rubik
19. World Wide Web – 1991 - Tim Berners-Lee
20. DVD's – 1995 – Hitachi, JVC, Matsushita, Mitsubishi, Philips, Pioneer, Sonv. Thomson. Time Warner. and Toshiba