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The new product paradox

Survey shows 76% willing to buy new lines, but marketers lack innovation skills

By BETH SNYDER BULIK

CONSUMERS ARE CRYING OUT for new products, but marketers fear their companies don't have the right stuff to meet that demand.

Contradicting the popular notion that the purchasing public is an inherently conservative beast, two out of three consumers said they love to try new products, in a recent survey of over 1,000 consumers by research firm Markitecture. Some 76% said they weren't afraid to try new things, just over half said they find shopping fun and buy new products all the time and 44% went as far as agreeing with the statement that "new products can really make a difference in my life."

LOW SCORE

All of which sounds encouraging for innovative marketers and jibes nicely with the findings in a twin study of brand managers, marketing VPs and CMOs. That study found that 71% expect to increase new product activity over the next two years; and that 78% believe their companies' future success depends on their ability to develop and introduce new products.

So far so good, right? Wrong. The problem is that marketers don't feel their companies are equipped to deliver. Rating their companies out of 100 in terms of their competence at selecting the most viable new product concepts, marketers awarded an average score of 32%. They gave themselves 34% for their ability to design new products and went only slightly higher, 38%, in rating their launch marketing (advertising, PR, etc.) skills.

New-product marketing is a complex skill, and one that hasn't been used much in the past two decades, said Robert Shulman, founder of market research firm Markitecture and the study's author. He contends that since the early '80s, marketers have relied mainly on brand extensions and cost-cutting for bottom-line growth.

"Companies have gotten all they can out of downsizing and cutting costs and they've extended the hell out of brands to the point where some brands are suffering because they've been extended

too far," he said. "There's now a huge emphasis being placed on new products as a major factor for growth."

GOLDEN ERA

The last golden era of new products, the late '70s and early '80s, came about thanks to an emphasis on market segmentation. That allowed marketers to create new uses or new versions of similar products, for instance, toothpastes that whitened teeth versus cleaning them. That may be the case again, Mr. Shulman said, as even more marketing science and segmentation allow companies to target even smaller market segments.

Of course, the fear of failure is an ever-present deterrent to new product introductions. But Mr. Shulman said to forget failure rates. They're similar across all categories of products; that is, some products will fail.

However, there is a way to take out some of the risk by using a disciplined approach. He advised using a dedicated launch team and budget, focusing on marketing and being patient.

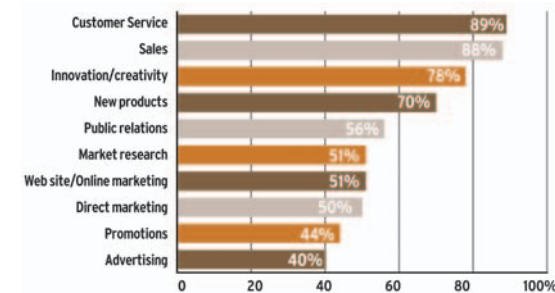
"Whether you're the first or second mover is no longer an issue, and never really was, except in the mind of those flush with money they felt compelled to spend," he said. "I'm sure Steve Jobs and Apple didn't rush the iPod to market."

CLAIMS VS. REALITY

While many companies today claim they are marketing driven, this wasn't evident in the study. In fact, only about 36% said they are driven by customers and marketing research. While it was still the No. 1 agreed-upon driver, sales, product quality

FORMULA FOR THE FUTURE

Sales, service were rated more important than marketing for new products.



Source: Markitecture

FEELING INSECURE

Factors driving new products: Only 36% of respondents said they bring out new products due to the customer-marketing expertise



Source: Markitecture

and manufacturing expertise garnered significant share.

"That was really surprising. They're still so product and sales driven," Mr. Shulman said.

Markitecture also asked what they thought were the best products of 2004 in several categories culled from media and research "best of" sources. The "Most Admired" products of 2004, as Markitecture dubbed them, were Matsushita DVD recorders, "Atkins-Approved" low-carb products, Oral-B Brush-Ups and Mr. Clean Magic Eraser. The DVD recorder honor included customers' choice of TiVo and other DVD recorder boxes which Matsushita, whose main brand is Panasonic, manufactures. ■

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