5 steps to a successful new product

The vast majority of new products fail. A tight focus on brand image, communication and other intangible attributes can pave the way to success.

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In some sectors, the failure rate for new products and services is as high as 90 percent. Numbers like these represent a clear resource drain and an opportunity for vast improvement.

A new technical note by IESE professor **Juan Manuel de Toro** provides a game plan to optimize new product success with a simple five-step process.

The five steps are as follows:

1. Identify an opportunity and generate a new idea to fill it

If nobody wants or needs your product, it is bound to fail. The starting point for all product development should be to analyze the needs of current and potential customers, their levels of satisfaction with what the competition is offering, their consumption habits and the technical possibilities for improving existing products.

Managers with ample experience and a strategic vision of the company, the competition, the clients and the suppliers are key to this process.

From the celebrity realm, consider Ferrán Adrià, chef and face of the famous El Bulli restaurant. Adrià's method for generating new ideas called for breaking down barriers between different groups in the creative team; defining goals and deadlines; earmarking the

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money, time and human resources needed; and documenting and analyzing the data obtained.

2. Measure the opportunity

Juan Manuel de Toro notes that once you've gathered information on market trends and your strategic objectives, the next step is to analyze the segment or segments that the product is geared toward and predict future buying habits as much as possible.

Product development tools — such as the Kano model, the affinity diagram or Glenn Mazur's consumer voice — can help identify needs and group them by established criteria.

3. Develop the concept

In this phase, the new product idea is refined to best serve the needs of potential clients and stand out from the competition.

How can this be achieved? Get opinions from lead users who may foresee future needs in the market. Also, rely on a team with expertise in various disciplines: design and production people for the technical requirements, marketing experts for reaching customers, and finance and management departments for determining what funds are available.

The three golden aims in this phase are to satisfy the client, stand out from the competition, and show the greatest potential for turning a profit.

4. Testing, testing....

Now you need to create your prototype and, essentially, assess how well it performs. Does your product:

- Offer a series of features that satisfy customer needs?
- Arrive on the market at an opportune time?
- Perform efficiently with regards to development and manufacturing costs?
- Maintain a healthy equilibrium between the launch cost and the product's capacity to turn a profit?

It's also good to keep in mind that investing in cost reduction early can increase profitability. Cutting product prices can increase market share, which in turn trims distribution costs and discourages the competition.

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5. Position and launch

With the product designed and studied thoroughly, the next step is to decide on its strategic positioning. How do you want potential customers to perceive the product? This stage needs to take into account economic, but also functional and emotional factors.

Traditionally, De Toro asserts, functional innovations were emphasized in new products. But this has become less sustainable in the current climate, as technology advances allow competitors to respond and new innovations to enter the market quickly.

When price and features of rival products are similar, differentiation is largely due to the emotional factor. This is at the heart of the relevance of brand image, communication and the so-called intangible attributes of a service or product.

Take Coca-Cola for example. Its advertising strategy has veered away from the beverage's features, instead seeking to establish an emotional connection. Its latest campaigns, "Open happiness" and "Taste the feeling" are right on-trend.

It's a competitive world out there. Planning carefully and remembering the human factor can pay dividends when launching new products.

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