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Viewpoint

New product failure: Five potential sources discussed

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ABSTRACT

When new consumer products are developed and later launched, 50 to 75 percent of them are removed from the market far short of meeting their projected financial targets. In short: they fail. We conclude that this failure is due to institutionalized insufficiencies in the use of the sciences that are best geared to understand and predict consumer behaviour, *viz*. the behavioural sciences. These are not necessarily the same as the marketing science that is performed by marketing departments. A scientific approach to understanding consumer behaviour appears to be lacking in many corporate research surroundings. This often is in great contrast with their high levels of technological science, paralleled by their respective research budgets. In this paper we present five problem areas that may contribute to this mismatch, contributing to needlessly high numbers of product failures. We have termed these factors: (1) 'pillars' (too many different functions addressing different aspects of the consumers and of product development), (2) 'higher management focus' (not geared towards understanding consumer behaviour), (3) 'popular science books' (out-dated research directives resulting from a hierarchical management model), (4) 'quality and Quality' (a definition of 'quality' that leads to invalid quality parameters), and (5) 'psychophobia' (the latent fear of trusting behavioural science results), respectively.

1. Introduction

Most people in the FMCG business, and in particular in the food area, agree that the fail rate of new product launches is too high. The Nielsen breakthrough innovation report (Nielsen, 2014) has analysed 12,000 new FMCG products that were introduced between 2011 and 2013 onto the Western EU markets. They conclude that 76% did not last one year of sales. What's even more shocking is that according to their analysis 45% did not last 26 weeks. In an older study, in the USA only 53.3% of new products is reported to achieve their financial objectives (APQC, 2003). The exact numbers are a matter of debate and will depend on the definition of failure and on the specific area of consumer goods. Nevertheless, in FMCG most would accept a rather high number, somewhere between 50% and 75%. Some people appear to regard these levels of failure as a law of nature, which of course they are not. They rather instead are a painful reminder of the fact that most new product developers are devoting considerable time and money to products that should have revealed their flaws at the moment of inception or early stages of development.

Even though a 'consumer focus' was introduced as a guiding principle in new product development some twenty to thirty years ago, and marketing departments aid decisions on the direction that R&D should take, still we are confronted with that too-high fail rate.

Over the years we have identified a number of underlying issues of corporate R&D culture that may disproportionately contribute to the development of unsuccessful products, which we will present and illustrate in this paper. We name them:

1. pillars,
2. higher management focus,
3. popular science books,
4. quality and Quality,
5. psychophobia.

We would like to point out that our experience does not stem from any particular product area, industrial branch or geography. We collected our experiences over many years, in a wide range of areas, albeit mostly in the FMCG and food areas. Our interactions with fellow workers in the field ranges wider than FMCG, and includes many different types of consumer products and professional corporate and applied research environments.

We present our arguments against the background of new

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product development, but they are probably equally true in other areas where consumer products are adapted, conceived of, marketed, etc.

2. Pillars

Most, if not all, of the industrial scientists in research, marketing or other related functions, that we encountered over the years agree with our statement that the way their research environment is organised is very conducive to working in pillars. Individual workers in R&D can often see the wider context of their work, but just as often they see it destroyed by inadequate communication between pillars. There are simply too many different functions. In some organisations we find separate functions for research, production, marketing, sales, customer, retail, brand, delivery, to name a few. For each function there is a separate department, with their own directors, targets, budgets, language, sometimes in their own geography. This very often hinders efficient and honest communication between such departments, sometimes even to the point of hostility.

At the same time we sometimes witness very different science areas lumped together in the same pillar. In some cases behavioural scientists sit in teams with microbiologists or physicists, to work on the same development. Although a story that very broad teams work on the same problem may sound good to higher management, in practice there is often too little synergy at the level of the actual project content. Workers in such (overly) multidisciplinary teams are either too nice or too hostile to other disciplines, and may lack the culture that enables them to dispassionately give and receive, and act on, critical review and constructive challenges. The result is that challenges are seen as a threat rather than a crucial step in reducing fail rate. A more optimal grouping of research problems and distribution of research scientists over problem areas is certainly possible in many such cases, as is a culture and mind-set that fuels synergy rather than discord.

Some breaking down of pillars can be seen in P&G's 'growth factory' model (Brown & Anthony, 2011). In this model a new organisation is built that aims to ensure increased communication between some of the pillars that could have slowed down innovation in more traditional models. Some of the success of recent innovations of P&G are claimed to be the result of this new model.

3. Focus of higher management

A consumer-led research agenda is not the same as a marketing-led one. Very often the development of new products is guided by a marketing function. However, the horizon of most marketing departments is not very deep. They are geared to launching a product next week or next month, while R&D needs a horizon of years to develop the radical new insights that are expected of them. Steering them from a marketing point of view can only lead to mediocre innovations. Furthermore many marketing managers are on a rotation scheme, rendering it less likely that they are confronted with the failures of the products they launch, because by that time they are in another job. There are also many career-marketers, favouring their own career over the 'career' of the products they develop. Product marketers are not always research minded, and their surrounding department may not welcome a scientific attitude. When behavioural or consumer science is applied, these managers often fall back on the standard methodology that they learned as students. However, those methods are likely to be unsophisticated and outdated, and are rarely critically reviewed in the light of the latest scientific insights in psychological science.

3.1. External expertise

Related to the previous section is a reliance on external expertise. Sometimes this is expertise that the company bought-in years ago from a convincing consultant. Agencies offer their expertise, but often they sell their own methodology based on their own, possibly idiosyncratic, ideas about consumer research. Many of the standard methodologies offered may be suboptimal with respect to the current research problems. Only a few agencies will develop bespoke research methods and display a critical attitude towards their own findings.

In this context the quote of Henry Ford, the automobile entrepreneur, about consumer research is telling: "If I had asked my clients what they wanted, I would have been breeding faster horses.". Many new product developers appear to be in the business of breeding faster horses, resulting in a research program that is running within a narrow window of minimal improvements to the existing ranges, rather than focussing on step change innovation. They are caught up in tweaking the details of products that are already near perfect for what they are. Innovation has become entirely focused on how best to deliver the current product, rather than how best to deliver the benefit consumers seek from it. The risk is that one may become blind for the type of radical innovation that the competition is working on, and is taken by surprise when the competition launches a game-changing alternative product. The reaction "Why haven't you thought of this!" can then be heard in R&D departments, where higher management subsequently blames the research scientists whose hands they themselves tied by the limitative directions to 'breed faster horses'.

3.2. Budgetary imbalance

Not unexpectedly, many or most R&D leaders have a technological background. As a result most of the work will be devoted to product technology, and research on the consumer as a psychological entity may be snowed under in the many possibilities that new technological developments offer. The focus of research departments thus led will be on finding new molecules, formulations, ingredients, processing, etc. There will be a movement towards the use of the latest equipment and the scientists will be caught up in a race for patents and in beating the technology developed by the competition.

As a result of this a severe imbalance arises between the resources for behavioural and for technological research. A twenty-fold bigger annual research budget for technology compared to behavioural science would not be unusual. No wonder that the really big innovations occur in the product field and never occur in the consumer field. Yet these product-technological innovations often lead to unsuccessful products because consumer-relevant aspects are overlooked or simply never sufficiently addressed.

When comparing the cost-effectiveness of technological to behavioural research, the latter is likely the more cost-effective of the two by far. The costs of behavioural studies are relatively modest, and they give valuable information. The costs of performing standard consumer tests of a new product, even for a large sample of one thousand consumers, are small compared with the costs of a product failure. For step change innovations in the understanding of consumer choice, much larger sums are needed, but they will likely not exceed the requirements of most technological studies where very expensive equipment and materials are needed.

3.3. Open Innovation

Another matter of concern is a new model for industrial cooperation: Open Innovation (cf. Chesbrough, 2005). In principle this is