

5 Secrets To New Product Success

Today it's all about finding new ways to better satisfy current and prospective Customers.....isn't it?

Successful companies like 3M and Hewlett Packard understand that new products and services are their lifeblood for continued growth.

Can you think of a successful company who is only trying to sell more of their existing line, and ignoring efforts to create new product growth opportunities?

Yet a recent survey by International Survey Research Corporation of thousands of American managers revealed that 39% felt that their companies were doing too little to develop new products, up from 21% in 1991.

The vital importance of new products was vividly impressed upon me early in my career as Vice President of Product Planning and Marketing for Kenner Toys. Every day at the office I knew that over half of our sales volume (and profit) was going to completely disappear in two years! Our Customers (kids) were fickle, and toy product life cycles are incredibly short. So for Kenner Toys to grow, we had to replace over half of our volume every two years, just to stay even. Yes....that did consistently reinforce for me a clear focus on the importance of effective new product development. Fortunately, through hard work and luck we had some terrific successes including the Star Wars toy line.

The Stokely Partnership's experience in such diverse industries as food, toys, crafts, office products and specialty retailing has taught us that there is no "silver bullet" solution to great new product development.

Here are five proven keys we have learned that will improve your odds in developing successful new products and services.

1. Top Management Commitment

Commitment from top management year in and year out to new product development sends a clear message throughout the organization about its importance to the company's continued success.

A strong company culture of growth through innovation helps to assure that new product development budgets and staffing are viewed by everyone as vital to the future. When this belief is in place these resources aren't always subject to being slashed whenever short-term profit pressures arise.

This commitment must start at the top.

Look at Ford and General Motors today. Ford's consistent product innovation effort has created top sellers in many of the key car and truck categories, whereas General Motors look alike cars of recent years have resulted in steady market share declines.

Daimler Chrysler is reacting to this. They have announced plans to churn out 64 new models by 2004.

"We're going to grow all of our brands -- and we've got more new products coming than we've ever had."

Robert Eaton, Co-Chairman Daimler Chrysler

2. Establish Specific Goals

Setting clear objectives for new products is critical. At Kenner Toys we all knew the company could not survive and grow without a steady stream of new products every year. But in companies with longer product life cycles this pressure is sometimes not as acute. We have found that a good solution is to establish measurable performance goals for new products.

Gillette requires that 40% of sales must come from products that are less than five years old. 3M has a similar target.

Such a goal vividly communicates expectations and the necessary consistent support needed throughout the company to make that happen.

When performance evaluations are based on such a criteria, it reinforces the need for everyone to think longer-term everyday.

It also supports an ongoing planting of many new product "seeds", some of which can grow to be tall timbers.

3. Dedicate Resources

Commitment to new product development means dedicated R&D budgets and human resources.

We find that those expected to deliver new product successes are most effective when they are allowed to passionately focus on this goal. Our experience shows that day to day demands of existing products inevitably tend to pull attention and energy away from new product development efforts. It's common sense. With shared resources, if there is an urgent customer presentation, production crises or new competitive threat, the new product development efforts frequently are delayed.

As Stephen Covey points out in his books, the perceived Important/Urgent activities usually take time and attention away from the Important/Not Urgent activities.

Dedicated new product resources can be internal or external to the company. Some firms find that utilizing both internal and external resources offer the best approach.

One of our clients implemented a serious and necessary reorganization a few years ago. There was pressure to defer new product development. But to their credit they continued to press ahead with their bold new product program. Today the company's greatest challenge is keeping up with ever increasing orders from the most successful new product introductions in their history!

4. Continuous Active Listening To Customers

Satisfying Customer needs is at the core of all successful new product development efforts. The Stokely Partnership always capitalizes the word Customer to acknowledge it's importance. Previous issues of *The Stokely Letter* have commented on how vital we feel it is to focus on the Customer. ("What Do Your Customers Think Of You And How Do You Know?" Fall '96, "The Power Of The New Marketing - Customer" Fall '97, and "How To Create And Deliver Real Value" Fall '98.)

Those responsible for new products must constantly be sensitive to both articulated and unarticulated Customer needs. Brainstorming, research studies and analyses are valuable to help identify these needs.

But you can't beat in the field, one on one, real time Customer dialogue to really understand the opportunities.

Sam Walton was famous for talking directly with employees and Customers in his stores. That's how the idea of the Wal-Mart greeter came about.

And that's how Phil Knight of Nike built his business, by talking directly with runners about what they wanted in running shoes. In fact a running friend of mine loves to tell about when he called Nike during its early days to order a pair of shoes.....and Phil Knight himself was on the other end of the line to take his order!

When Marriott wanted to build a motel for the business traveler, they formed a team just to listen to the needs of business travelers. They then built various prototype guestrooms to see how Customers liked the size and layout. The result was Courtyard by Marriott.

5. Thinking Outside Of The Box

Formula type, traditional approaches, and "safe" politically appropriate methods seldom bring breakthrough results. Individuals responsible for new products need a predisposition for the unconventional and the supportive environment to act that way. It probably helps to even be a bit crazy!

The point is that there is no room for the infamous "NOT INVENTED HERE" new product killer syndrome that can stifle reception to new ways of thinking and provocative outside ideas.

Great new product ideas often come from the outside, where certain ways of thinking don't constrain creativity. Many of the initial computer innovations like the "mouse" came from the Xerox PARC "skunkworks", where a group of brilliant scientists were free to create.

Summary

Most leading firms clearly recognize the importance of new products and services to assure their continued success.

Our work in a variety of industries and companies has revealed these five proven keys to creating and nurturing a culture that will provide a flow of new products.

We will be delighted to talk with you about how these keys can be applied to your business.

As always we welcome your thoughts and experiences.



"Who the hell wants to hear actors talk?"

H.M. Warner, Warner Brothers, 1927

"Success breeds success formulas, success formulas breed failure."

David McCourt, RCN Corp.

"There is no point at which you can say" Well, I'm successful now, I might as well take a nap."

Carrie Fisher

"I spend 50% of my time with Customers. If we fail, it will be because we aren't doing this well enough."

John Chambers, President, Cisco Systems

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