

## KEY SUCCESS FACTORS IN NEW PRODUCT DEVELOPMENT PROCESS

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—In the last 10 years the dramatic changes in consumption and consumer patterns together with the recent E.U. adhesion process, that will influence the growth of aggressive competition, have put heavy pressure on Romanian companies. In order to face this big issues, the companies have to make some changes in their way of doing business, especially in their New Product Development (NPD) process. Therefore the continuous development and market introduction of new products can play an important role in the future performance of companies.

—In the last years conceptual and empirical research has been undertaken to identify the critical success factors of new products. The objective of this paper work is to review the most important findings, in a compact and structured way, that describe the key factors that can influence the new product development process.

*Key words: new product development, customer, needs*

—New product development is probably the most important process for many companies, but also one of the least understood and, perhaps, executed<sup>1</sup>. This is important because new product development is responsible for the revenues and margins that a company can achieve and its ultimate value.

—But let's start with a definition. The new product development starts with the identification of an opportunity in the market ("somebody needs a product to do this") and ends with the successful launch of the product<sup>2</sup>. In between are many activities to define the requirements, develop and test a product concept, fully define and develop the product, source for suppliers involved, plan the manufacturing and supply chain, and prepare marketing programs. On top of that, it's about defining the product strategy, managing the overall product program, and monitoring all the projects and activities needed to drive the new product development process.

—Most functional areas of the company get involved at some time or another, including marketing, engineering, supply management, manufacturing, finance, and so on. As the people in these functions use enterprise systems to help them do their jobs, all of these systems are involved in new product development (NPD): for example customer relationship management (CRM), enterprise resource planning (ERP), product life-cycle management (PLM), supply chain management (SCM), supplier relationship management (SRM), and many others<sup>3</sup>.

—In order for a new product development process to be successful, many different key factors have to come together in just the right way. If one is wrong, it's likely the whole process will fail.

—In the next pages I will point out these key factors that influence the success of the NPD process.

### Differentiation

The top success factor is the delivery of a differentiated product with unique customer benefits and superior value. But most new products miss the mark here. The majority of products are tired "me too" products with little to distinguish them from the products of their competitors<sup>4</sup>. A second, popular scenario, but one which also yields poor results, is the engineer building a monument to him – the technical solution in search of a market.

<sup>1</sup> Kotler Ph., - "Marketing Management", 3rd Edition, Teora Publishing House, Bucharest 2003, p. 419

<sup>2</sup> Cooper R., - "Winning at New Products: Accelerating the Process from Idea to Launch", Perseus Publishing, 2001, p. 27

<sup>3</sup> Milton. R. D., Griffin A., Castellion G.A., Anschuetz N.F., - "The PDMA Handbook of New Product Development", John Wiley & Sons, 1996, p. 73

<sup>4</sup> Trout J., Ries Al, - "Positioning – the battle for your mind", Brandbuilders Publishing House, Bucharest, 2004, p. 31

Often, “product superiority” is absent as a project selection criterion, while steps that encourage the design of such superior products are rarely built into the process (such as the voice of customer studies, identifying true and often unarticulated needs and weaknesses in competitors’ products).

Indeed, quite the reverse is true: The preoccupation with cycle-time reduction and the tendency to favor simple, inexpensive projects actually penalize the projects that will lead to product superiority. Once the companies arrive at a viable product concept, they should test it constantly with the customer.

#### Information

Too many new-product projects move from the idea stage right into development with little or no up-front homework. The results of this “ready, fire, aim” approach are usually disastrous. Solid pre-development homework drives up success rates significantly. Sadly, firms devote very little of a project’s funding and person-days to these critical activities. More time and resources should be devoted to the activities that precede the design and development of the product. Up-front homework means undertaking thorough market and competitive analysis, research on the customers’ needs and wants, concept testing, and technical and operations feasibility assessments. All of these activities in turn lead to the preparation of a full business case prior to beginning serious development work.

#### Voice of the customer

The people behind winning new-products have a strong dedication to the voice of the customer. Those projects that feature high-quality marketing actions are blessed with more than double the success rates of projects with poor marketing actions.

However, a strong market orientation with customer focus is noticeably absent from many businesses’ new-product projects. The voice of the customer must be an integral part of the process. This begins with idea generation – focus groups, customer panels, and working with lead users.

Market research and customer reaction must be an input into the product’s design, not just as a confirmation of it. The customer must be a part of the development process via constant rapid-prototype-and-test iterations. Also the companies have to ensure that the launch is based on solid market information.

#### Definition of the product

A failure to define the product before development begins is a major cause of both new-product failure and serious delays in time-to-market. In spite of the fact that early and stable product definition is consistently cited as a key to success, firms continue to perform poorly here. Terms such as “unstable product specs” and “project scope creep” describe far too many projects.

In other words no project moves to the development stage without a sharp definition of the product, including target-market definition; the product concept and benefits to be delivered; the positioning strategy; and, finally, the product features, attributes, performance requirements, and high-level specs. This definition must be fact-based and signed off by the project team. Senior management should also commit itself to the definition.

#### Planning the market launch

Not surprisingly, a strong market launch underlies the success of any product. Winners devote more than twice as many person-days and financial resources to the launch as do those that fail. Similarly, the quality of execution of the market launch is significantly higher for winners. The need for a quality launch – well planned, properly resourced, and well executed – should be obvious. But in some businesses, it’s almost as though the launch is an afterthought – something to worry about after the product is fully developed.

#### *Tough decision points*

Many projects move too far into development without serious scrutiny. In fact, once a project begins, there is very little chance that it will ever be killed. The result is that many ill-conceived projects continue to move forward and scarce resources are allocated improperly. Having tough decision points or gates where managers decide whether to continue or not is strongly correlated to the profitability of new-product efforts.

#### Cross-Functional Project Teams

Good organizational design is strongly linked to success. Projects that are organized with a cross-functional team, led by a strong project leader accountable for the entire project from beginning to end, dedicated and focused (as opposed to spread over many projects), stand a better chance of success.

#### *Strengths*

—The new product fares better when it leverages the business’s core competencies. This means having a strong fit between the needs of the project and the resources, strengths and experience of the company in terms of marketing, distribution, selling, technology, and operations. These ingredients become checklist items in a scoring or rating model to help prioritize new-product projects. If the company leverage score is low, then there

must be other compelling reasons to proceed with the project. Leverage is not essential, but it certainly improves the odds of winning.

#### *International Orientation*

—New products aimed at international markets and with international requirements built in from the outset fare better. By contrast, products that are developed for domestic markets and sold locally are not nearly as profitable. The strategy of “design for local needs and adjust for export later” usually does not work well.

—The goal is either a global product (one development effort and one product for the entire global market) or a ‘glocal’ product (one development effort and one product, but with slight variants to satisfy each international market). An international orientation also means using cross-functional teams with members from different countries, and gathering information from multiple international markets.

#### *Top management*

—Top management support is required for product innovation. But, many senior people get it wrong. Top management’s main role is to set the stage for product innovation – to be a “behind the-scenes” facilitator who is much less an actor, front and center. This stage-setting role is vital.

—Management must make the long-term commitment to product development a source of growth. It must develop a vision, objectives, and strategy for product innovation. It must make available the necessary resources and ensure that they aren’t diverted to more immediate needs in times of shortage. It must commit to a disciplined game plan to drive products to market. And, most important, senior management must empower project teams. Senior management’s role is not to get involved in projects on a day-to-day basis, nor to constantly meddle and interfere in the project, nor to micromanage projects from afar, but to provide the needed leadership.

—After analyzing all this key factors I have to point out that the process of developing new products varies between companies, and even between products within the same company.

—Regardless of organizational differences, a good new product is the result of a methodical development effort with well defined product specifications and project goals<sup>5</sup>. So, in the end, the challenge of new product development process is to make sure that all of these different key success factors have to come together in just the right way.

#### **References:**

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