

THE ST. LOUIS AMERICAN MARKETING ASSOCIATION PRESENTS

MARKETING'S ROLE IN NEW PRODUCT/ SERVICE DEVELOPMENT: *VOICE OF THE CONSUMER*

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by Lon Zimmerman, Zimmerman Marketing Research

NEW PRODUCTS AND SERVICES are the lifeblood of many firms. Growth and profits suffer without aggressive pursuit of new products. In fact, in today's super competitive world with ever shorter product life cycles; many companies need to create and successfully launch new products if they are to survive.

Recently the St. Louis chapter of the American Marketing Association (AMA) conducted a roundtable

discussion on Marketing's Role in New Product/Service Development with local area Chief Marketing Officers. This discussion was the second in a series of roundtable discussions sponsored by the AMA. During the session, the Marketing executives discussed the role of marketing in new product/service development, challenges that arise and suggestions for how to overcome these.

PARTICIPANTS INCLUDED:

*Ms. Shari Carder
Vice President of
Marketing and Advertising
ProSource Wholesale Floorcoverings*

*Mr. Harry Dent
Director
Strategos*

*Mr. Mark Engel
Director Global Marketing
Solae, Inc*

*Mr. Mike McNamara
Senior Vice President,
Consumer Sales
Roho Group Inc.*

*Ms. GeGe Mix
Vice President, Sales & Marketing
Dazor Manufacturing Corporation*

*Mr. Kevin Ward
Executive Vice President
Coin Acceptors*

*Mr. Mark Witzling
Marketing Director
Waterway Gas & Wash*

The Roundtable discussion was designed and moderated by Mr. Lon Zimmerman of Zimmerman Marketing Research.

ROLE OF MARKETING:

Marketing plays several key roles in developing and launching new products and services. The primary role, however, is to serve as the voice of the customer: To bridge the gap between the consumer and other parts of the company by identifying opportunities, articulating new product requirements to the development team, and by being immersed in the new product development process to ensure that the end product meets customer needs and wants.

Marketing, I think, sits in front of the consumer and is really the conduit between the consumer and other parts of the organization.

We start with a strategy and figure out where we are going as an organization. That is based on consumers and customers and key stakeholders and then we have to do a funnel and figure out how do we start to figure out the areas that we want to go against and what are the needs. Then we figure out where do want to spend our money on the incremental vs. expansive products. It all does come from the consumer.

We call them Pillars of Opportunity and if you take the time to go out and get these, everything comes out of it. I call it the Total Product Experience. It used to be the offering. So when you look at these pillars and you take the time to do it, not only do you understand the needs and wants and beliefs and behaviors, your product flows out of that so easily. It's just natural that it comes out of it. Then how you communicate, where you communicate, all this comes out. But no one really wants to take the time to do what is required to get these deep insights.

CHALLENGES IN DEVELOPING NEW PRODUCTS AND SERVICES:

It's a fact of life that most new products fail and most new ideas never make it past the concept phase. Companies seeking to create and successfully market new products or services will face a number of challenges, among them the following:

1. The consumer doesn't always know or can't articulate what they want.

While companies seek to satisfy customer or

potential customer needs and desires, many times the customer neither knows nor can articulate what it is that they want.

I stopped believing that the customer always knows what they want. I know that probably sounds like heresy but they don't. They come to us with ideas and they say do this. I've been involved with probably ten of them over my career where we have done exactly what they said, they come back and say that is not exactly what we want. Customers or consumers can't always articulate what they want. That is why it's really important in our job as marketers to develop a deep understanding of consumer beliefs and behaviors. We are responsible for understanding specific trends that relate to us.

2. Consumers may only be capable of suggesting incremental improvements.

Consumers can't be asked to take on the role of R&D. Most consumers are not able to think in terms of breakthrough type products. Most can offer only incremental improvements, adding this bell or that whistle.

I think one of the challenges is also that sometimes as much as you want the ideas to come in from the customer, and that is absolutely critical and most ideas probably happen that way, often times the customer can only make incremental improvement. They can suggest adding this bell or that whistle. They can think one iteration ahead.

3. It's not always possible to get feedback from the consumer.

In some companies it's not always possible to talk to the consumer or end-user. In these cases, the marketer must serve as the voice of the consumer.

It's a challenge if you are an OE supplier. How do you get end-user feedback? Our company is privately held so there is not a lot of sharing that goes on in trade shows or anything like that. If you come up with a good idea, the last thing we would probably do is go out to all our customers and say, "Hey look at this great idea." We don't have a good forum for doing that.

4. Marketing, Sales, and R&D have different agendas.

One challenge facing many companies is that of competing agendas. Because their focus is on creating new technology, R&D often gets overly excited about their new technology and goes out and presents it to potential customers. This creates all kinds of grief for Marketing when they get calls from customers asking when the new product will be available.

You know what happens with us, and we are trying to change this, is our R&D people get all excited and the worse thing that you can do is have a technology and try and find a home for it. But that is how they validate themselves. Oh, it's a disaster.

The R&D guys sneak out and they show our customers some technology and then you have to follow-up. It's ridiculous.

The R&D guy is out in the Philippines with our biggest customer and he presents this technology and the customer goes, "Wow, cool." Then they say, "Go figure this out." It's kind of late because you've already put this in front of the customer.

Similarly, Sales is interested in making the transaction while Marketing is focused on selling the right product at the right price to the right customer for a profit. Sales people are also likely to run out and meet with potential customers about "products" that really don't exist.

And then sales people, forgive me, sales people kind of get a hold of this technology and they go share it and now I'm spending so much of my time on it. You can't control it. It gets out of hand. So you're spending half of your time on opportunities that don't make sense.

STEPS TO MORE SUCCESSFUL NEW PRODUCT DEVELOPMENT:

Companies can increase their likelihood of new product success if they follow the recommendations offered by the Chief Marketing Officers in the recent roundtable. These marketers agree that many of the challenges of new product development can be overcome by doing the following:

Encourage ideas from all sources.

Marketers should remain open to and consider new product ideas from all sources. Some of the best ideas will be generated by the consumer,

others may come from R&D or from the supply chain or any number of different sources.

I think the ideas can be generated either internally or externally. It can come from a consumer. But it might also come from R&D or Engineering or somewhere else and Marketing needs to take that out and validate it.

Our ideas come from all over the company. Everyone from someone working in shipping and the receiving dock to somebody in Marketing or Sales can generate what we call an Idea Sheet. The Idea Sheets cover essentially what the product might look like, what markets it might fit into, what they perceive as the customer benefits to be. That gets the ball rolling.

Recognize the importance of stakeholders, not just the product purchaser.

While customers are the most frequently mentioned source of new product ideas, it is also important that marketers recognize the importance of other stakeholders such as franchisees, distributors, specifying agents, and end-users.

When I was at General Mills, all I cared about as marketer was the consumer. The fruit rolls business for example. It's a hundred million dollar business and all I really cared about was the mom who is the gatekeeper and the child who I need to get excited. When I moved onto a business-to-business role in another business, I realized that there were distributors and they had certain needs and as a marketer, I needed to make sure that I understood their needs, both from a product and a marketing tool perspective.

I think a lot of times when we introduced products, it was always geared around the buyer, the purchaser of the product. Then the product would get out there and the consumer would hate it for whatever reason and the product would fail and of course the purchasing guy is washing his hands of the whole nasty affair. It was not my idea.

Engage R&D and Sales early in the process.

The Chief Marketing Officers strongly recommended that marketers engage R&D and Sales early in the process. Get them involved in listening to the consumer and creating ownership in the process. Not only will this give R&D and Sales a better appreciation of customer needs, it will help ensure that everyone is working off the same page.

I think one of the ways I've been successful is by engaging key stakeholders like R&D and Sales in the process at the very beginning. If they can actually form the consumer insights with you, they kind of own it. Bring them to the focus groups. Bring them into some homes and make them observe. Now all of a sudden, the thinking that is formed, there is a source of ownership by that. Now the Sales person, when they go into sell it, they go in and they start quoting consumers and it's like magic. There is conviction there and it's in their heart.

Once you engage these people in the process, they will follow you around. The R&D people and the Sales people will be looking to you for direction because once they have participated in this process, they are so enlightened and so engaged and so excited, they now see how what they are doing fits into the strategy.

Focus marketing research efforts on the front-end, not on validation.

Given the cost and time required to test market or even use simulated test markets, marketers recommend that more marketing research dollars be spent early on in the process to better understand consumer needs and wants, rather than later to validate these ideas. This is even more critical today when competitors can often be on the market with a "copycat" product within 12 months.

What I'm seeing is that the better you do on the front end, the less validation you have to do on the backend.

Be brutal in getting rid of mediocre ideas.

Marketers agree that during the early stages of development, it is crucial that new product developers be brutal in pruning the number of ideas in the new product funnel. Only by getting rid of the less valuable ideas can one make room for and focus on those crying out for further development.

If you have a very large funnel, the top of the funnel is large and there are many, many ideas. You have to be disciplined and ruthless about shutting it down. Take out the bad stuff as early as you can.

There is always a pet project that somebody internal is advocating that doesn't come close to the hurdle that you always have to manage.

Developing a deep understanding of consumer beliefs and behaviors creates a major competitive advantage.

Roundtable participants also point out that possessing a deep understanding of consumer beliefs and behaviors can be a major competitive advantage that competitors will have difficulty overcoming unless they share that understanding.

If you truly understand the consumer and his needs, your competitor can copy you but they won't really know why you are doing what you are doing. These insights are incredibly valuable.

We recently began offering a service which was brand new for us and it's turned into a nice chunk of our business. Before we launched it, Marketing did a great job of identifying why it was good for the customer, being able to explain why it was good for the customer from a financial model value added standpoint, the whole deal. But as soon as we were out the door with it, the competitor was out there saying we will do that too and we will charge you the same thing that they charge. But they lost the battle. They woefully lost the battle. I think it's because they could not tell why they were doing it other than it was a great income stream.

For more information about this or future AMA St. Louis Roundtable Discussions, contact either of the Roundtable Co-Chairs:

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