

Now is not the time for value analysis or alterations to the product design; the full details of such matters must have been settled before full scale production began. Attention must now concentrate on ensuring that the production programme is fulfilled at the required rate of output and at the requisite quality. Volume and quality control are the final elements to watch.

PRESENTING THE PRODUCT TO THE MARKET

The time will eventually arrive when all the contributions which design and acceptance testing can make to product innovation will have been made. An appraisal of the return anticipated on the investment involved has been calculated for given levels of sales, and production is prepared to meet such demands on its capacity. Management must now present its new product to the market as yet one more product to compete for purchasing power. Even now, however, except in abnormal market circumstances, it will be inadvisable to jump directly into the national market as a whole.

There are a large number of factors in the marketing situation, other than the product itself which we have so far largely been considering, which are only ignored at great peril. The most obvious are the advertising approach, brand name selection, the package design, the buying of media space, sales representative and retailer/wholesaler briefings, the sell-in, distribution arrangements and so on. Not only has the marketing mix to be decided but the launching itself is a major organisational activity. P.E.R.T. systems can prove of great assistance.²²

For any specific product some of the factors involved will be less of a problem than others. One more product added to an existing range will not normally encounter particular problems in distribution, since *entrée* into appropriate outlets already exists. If, however, the product is in a new area, not only new salesmen

with differing technical background may be required, but new outlets of a different type altogether may need to be sold into.

It is as a result of the many complexities which a major product launch involves that the techniques of test marketing and area marketing have evolved. Both seek to commence selling on a limited basis, often just a single T.V. region, or a few counties. Test marketing, on balance, is to be preferred.

It sets out to mount a marketing operation in a microcosm of the total market which in all possible respects will simulate what should occur nationally. What happens is carefully examined by continuous research procedures, checking the distribution levels achieved, the effect of any advertising campaigns and the reactions and off-take by consumers, particularly repeat purchasing.

Area marketing on the other hand is markedly less scientific, and as such is unable to give the more accurate estimate of likely effects if the new product goes national. It does, however, in the event of failure, enable one to withdraw a product without a great loss either of face or resources. Area marketing is best regarded as merely phase one of a plan to market a product nationally, which is tackled in stages when the full effort of a national launch would overtax the firm. It is a policy of confident, some would say overconfident, management, for if sales levels are unsatisfactory there is no research base to indicate what the deficiencies might be, and it is of course too late to discover what consumers thought before they were informed of the product or were exposed to its promotions. Nor is there any qualitative measure of the distribution obtained in relation to the universe of outlets in the area.

Test marketing, therefore, is to be preferred because it constitutes a controlled experiment of the eventual national activity. If it is to provide the necessary accurate results for projection to the total market in respect of sales achieved and their quality; of the level of repeated purchasing to be expected; then great care must be taken in the selection of the

²² "The Right Order of Things", L. J. Rawle, Progress, 3/1964.

location for test marketing and the way it is conducted.²³

It is quite crucial, once the product is put into a test market, that alternative courses of action are ready in the event of strong competitive reaction. Particularly where a new product is tackling a firmly entrenched market, fierce competitive counter measures should be anticipated. Marketing any product is a dynamic process, and it is not sufficient for the research man to plead that he needs six months before he can really evaluate the outcome of the test when a new product is being undersold to kill by giant competitors. The outcome of the test is already obvious.

Statistics on new product failures in the United States from the Federal Bureau of Commerce indicate that they stand as high as 90 per cent after four years. Well over half the products test marketed in Britain are thought never to get beyond their test area. This second statistic focuses particular attention on the criteria by which a test marketing operation is to be judged.

The British Market Research Bureau has recently released a tentative evaluation of 44 test operations for which it has been responsible.²⁴ The evidence available deals with new grocery and chemist lines, and shows clearly how sales build up in tests to a peak and then stabilise at a lower level. The valuable statistic which has emerged is the relationship between the peak and the stabilisation level, known as the *drop factor*. This has been found to remain more or less constant when test markets are extended to a national operation. There does not yet seem to have been much success in predicting the actual peak level or stabilised level of sales. The average drop encountered is about 40 per cent from the peak sales reached, however, which enables two rules of thumb to emerge:

1. If at any stage during the initial sales build-up, sales exceed twice the rate of the stable target level, there is a

three to one probability that the product has made it.

2. Unless peak sales exceed the target stable level by at least 50 per cent there is a three to one probability that the product will fail to maintain its target.

Although this recent addition to generally available knowledge of test marketing represents a substantial advance in the planning of new product innovations, it does not cover many qualitative aspects which such tests must seek to understand. The product may prove to create for itself on test a small minority market, for example, which is devoted to it, rather than a mass market with a level of sales off-take originally envisaged. This minority market could transform the entire marketing approach, making it possible to reduce, perhaps drastically, the original estimate of sales costs and minimum distribution. A new marketing synthesis could emerge which makes lower sales off-takes quite economic at an increased price.²⁵

On the other hand, high off-take and an absence of repeat purchases could indicate a serious defect in the product, or advertising, in that it failed to square with expectations which had been aroused. User attitude research can help to pin down particular shortcomings.

In any interpretation of test marketing results, management must always remember that the product with which they have grown so familiar is quite fresh to its user. We all, as consumers, have an existing set of values with which a new product idea may be incompatible. We may be slow to try and even slower to accept; we may be slow to understand the complexities involved. We need sympathetic understanding, and the marketing man needs an intelligent appreciation of that need if he is to fully evaluate the results he obtains.

At the end of the test marketing stage, the firm can have a clearer picture of just how the new product has fared in obtaining a sustained level of sales, what

²³ "The Use and Abuse of Test Market Research", R. Day, Commentary, 1964.

²⁴ "Sales Curves of New Products" in "Research in Marketing", J. Davies, Market Research Society, 1964.

²⁵ "Researching for Multiple Markets", B. Tate and J. Rothman, Scientific Business, August 1964.

distribution it has obtained and what users' attitudes towards it are. Furthermore the production departments have had experience of producing the product at the requisite quality level and rate. If once again, the test procedures give the new product the go-ahead, the blueprints in all sectors will be ready and tried. The new product will stand its best chance of success in the national market.

(It is perhaps appropriate at the present time to draw specific attention to the use of the word *national* market in our discussion. Many products have an inter-nation appeal which differs no more than product appeal can between Scotland and South-East England. But it is as well to be over-wary of radical differences and to approach *foreign* markets with respect. This often implies further experimentation.)

THE OVERVIEW

Our ultimate justification for this lengthy and discursive examination of the procedures of product innovation in the firm, set in the current national context, is that it tries to give the overview which the general manager should have. Naturally there will be times when he will have to short circuit the process or where a new product idea is not of sufficient value to justify some of the procedures outlined. But this having been said nothing can shake our fundamental certainty that product innovation, which is the life blood of almost every enterprise, must be kept continually under planned control. Only by such planning can it be ensured that the complexities are mastered and all relevant inputs are made early enough on to reduce costs for optimum results.

Organisations which operate in such a way create the atmosphere in which voluntary feed-back from all areas adds further strength. Dynamic innovative organisa-

tions of this type have a crucial rôle to play in the British economy; they also ensure the optimum return to the shareholders and those who devote their time and labour to the business.

It is appropriate, in conclusion, to mention briefly the type of overall organisation which firms have established to ensure that they do not fall short in their development of new products. Naturally, evidence comes mainly from the United States. Many have set up separate product development departments charged with supervising all plans from applied research within the framework of company objectives through to launching full-scale onto its market. S. C. Johnson & Son report that particularly in the area of co-ordination between research, development and marketing, such a department has a vital rôle to play.²⁶ It also necessitated clarification of company product objectives and strategy in a way not appreciated before. A special new products department is by no means universally accepted, however, since it naturally adds further problems of communication. Others place greater emphasis on the actions and re-actions of management rather than organisational forms. Nevertheless, it is conceded that, in companies with strong departmental barriers, a specialist corps of new product developers may well be the only way to ease product innovations over the various barriers.²⁷

Quite obviously the problem of overall organisation can only be resolved on an individual firm basis. It is our final observation that it deserves attention by every firm.

²⁶ "How to Organise for new Products", S. C. Johnson and L. C. Jones, *Harvard Business Review*, May/June 1957.

²⁷ "Organisation for New Product Development", E. J. McCarthy, *Journal of Business*, April, 1959.