The Kensignton Firm Presents:

5 Steps to New Product Success

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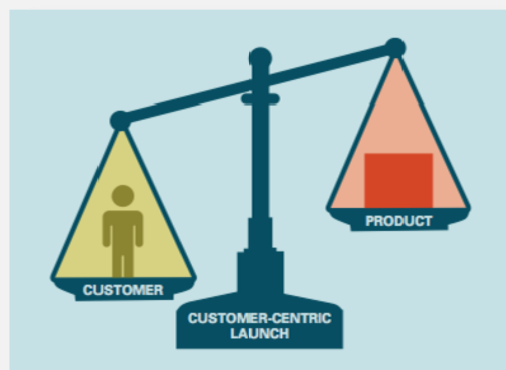
Stories of new products rarely have happy endings. For every blockbuster, hundreds of innovations with great potential flame out.

We say "hundreds" because the exact number of new product failures is difficult to pinpoint. Depending on the source, data suggest that anywhere from 67% to 95% of new products fail. Even when a new product is not an outright failure, its launch often falls short of expectations, and significant infusions of human and financial capital are required to achieve acceptable performance.

This issue triggered a four-year study to identify proven methods of securing both the launch and the long-term sales success of new products. The study examined the product launch efforts of companies in industries as diverse as aerospace and pharmaceuticals. The findings:



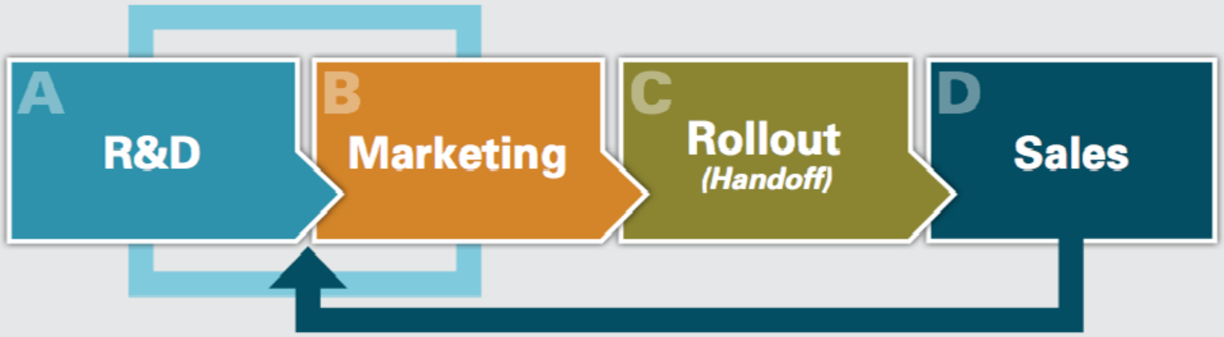
- Products and services should be developed with an **"outside-in"** approach:
    - Pre-launch customer intelligence should be focused on an exploration of customer problems, instead of the current practice of determining customer interest
- The **"handoff"** between Marketing and Sales should include:
    - Identified customer populations segmented by needs, not attributes
    - Customer insights the sales force can use to challenge the customers status quo
    - Sales materials that are problem-focused, not product-focused
    - Tools that enable the sales force to monetize the economic value of the solution and define the costs of maintaining the status quo
    - Sales simulations that motivate the sales force to uncover customer problems, rather than present technological features

When these methods are applied successfully, the results are impressive: Companies that adopt these suggestions achieve sales gains of up to 130% of goal and margin gains of 20% over existing product lines.

The Typical Launch Scenario

Figure 1 illustrates a typical product development and launch process, one driven by internal evaluation of a technological innovation. The conversation takes place largely between R&D and Marketing and emphasizes the novel capability or technical features of the product. This inward product-focus gets carried through the subsequent phases of commercialization with negative consequences.

Figure 1: The Product-Focused Launch



A. R&D develops new product based on technological innovation; Product brings new features to market or creates new paradigm in existing market.

B. Product concept tested; Product selling story or key messages built around features and theoretical benefits; Promotional campaign and collateral developed; Kickoff meeting or rollout event planned.

C. Product introduced to sales force via announcements and kickoff; Sales tools and collateral provided; Emphasis on educating sales force on unique product features and benefits; Training may occur, depending on industry.

D. Product introduced to customers via promotional campaign and sales force; Sales force educates customers using collateral that emphasizes features and theoretical benefits.

A Better Launch Scenario

The key to launch success is to carry a problem focus, not a product focus, through the commercialization process. This paradigm shift is easy to understand conceptually, but it is challenging to implement. Our cross- industry experience reveals that companies who regularly achieve and exceed sales goals for new products and services successfully implement a problem focused paradigm by:

- Starting with a problem focus; Asking “What problem does this innovation solve?” rather than “To whom can we sell this?”
- Maintaining a high level of coordination and alignment, particularly at the critical intersection of Marketing and Sales
- Successfully integrating core questions into thought processes, planning, tools, and metrics that drive—even mandate—a problem-focused, customer-centric approach

These organizations have identified a better launch scenario.

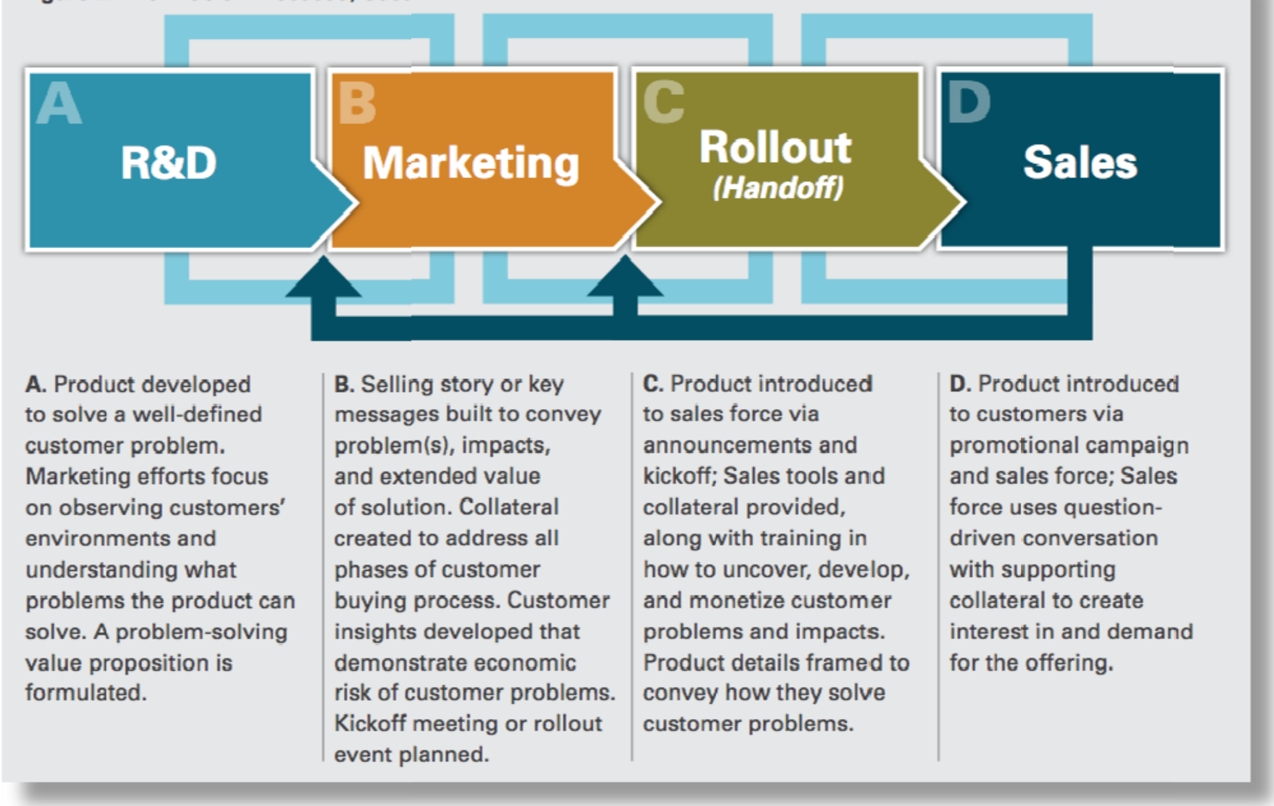


Figure 2: The Problem-Focused, Customer-Centric Launch

The Steps to Success

According to our research, companies that successfully implement the Problem-Focused, Customer-Centric Launch process follows a set of well-choreographed steps as they progress through the phases of product commercialization and launch. While the execution of the steps may vary slightly from organization to organization, the goals of each step are consistent.

STEP 1: Adopt an "Outside-In" Approach to Initial R&D	PHASE(S): R&D

Instead of asking, "Who would buy this?" when designing a new offering, start with a problem focus and core questions:

- What is the problem to which this innovation offers a solution?
- Who has this problem?
- What are the consequences (organizational, monetary, etc.) of this problem?
- If this problem were resolved, who would benefit and how would they benefit?
- How can the economic value of solving this problem be quantified?

With this shift, you move from product-focused, "inside-out" product development to problem focused, "outside-in" product development. To sustain and support this shift, our most successful clients also:

- Abandon traditional attributes-based segmentation in favor of needs-based methods that group customers according to the need or problem the offering can address.
- Extend the approach to product testing and market research by moving away from queries like, “What are your feelings about this new offering?” and towards core questions that explore problems the offering can resolve for potential customers. This technique ensures initial assumptions about the customer’s problems are either confirmed or corrected. (See caution below.)

Caution: Customers are not always aware they have an issue. Therefore, those engaged in collecting customer insights must use questions skillfully to uncover unrecognized problems. Alice Koehler, Marketing Director for Butterball LLC, a purveyor of turkey and turkey products, shared this example with us: When customers were asked about their satisfaction with existing lunchmeat packaging, they reported no problems. However, when observed by research teams, the same consumers promptly transferred the lunchmeat from its original packaging to a zippered plastic bag “to keep it fresh.” Asking different questions could have reduced the market research effort and spend without compromising the accuracy of the insights.

STEP 2: Ensure Accurate Translation of Materials and Collateral

PHASE(S): Marketing, Rollout

Does any of this sound familiar?

- “Sales is from Mars and Marketing is from Venus.”
- “Sales and Marketing aren’t on the same page.”
- “Marketing creates the message, and Sales delivers it.”

Regardless of the cliché the underlying reality is that most marketing and sales teams do not speak the same language. If a sales team is problem-oriented (trained to uncover customer problems or challenge customer thinking) and the marketing team is not, the sales team is forced to “translate the message.” Thus, a very costly, well-developed marketing message becomes barely recognizable in the field.

Though Marketing and Sales may speak different languages, this selling story disconnect does not have to be a foregone conclusion. Companies that successfully implement problem-focused, customer-centric product launches develop means to overcome it. They put strategic effort into ensuring alignment and an effective “handoff” between Marketing and Sales. This effort involves requiring Marketing to provide more context and explicit direction to Sales. In these organizations, marketing professionals recognize that:

- Sales professionals with no understanding of how materials and collateral were developed will interpret it through their own lenses, which leads to sales presentations that are off-strategy and off-message.
- Context-setting, clear direction, and guidance can be hardwired into the sales materials and promotional collateral created to support sales efforts at the time of launch. Such prescriptive sales materials can serve as a “Rosetta Stone,” supporting accurate translation and solidifying the handoff.

STEP 3: Utilize Marketing/Sales Alignment Tools

PHASE(S): Marketing, Rollout, Sales

Companies that regularly achieve and sustain product launch success take efforts to align Marketing and Sales a step further. In these organizations, Marketing works with input from Sales to develop alignment tools. “Sales and Marketing aren’t on the same page.”

- “Explain the research-validated customer problems that make the offering relevant.
- Identify customer groups by needs, rather than population attributes.
- Provide questioning strategies that uncover and develop these problems.
- Guide the relevant use of sales collateral.
- Align to and support the customer decision-making process.

In his seminal research paper, “Why Bad Things Happen to Good New Products,” Neil Rackham discovered the **use of questions by sales professionals declined by 40%** during launch, derailing the very behaviors that have been proven to correlate with sales success. In addition to reducing variability of engagement and presentation across the sales force, well-designed alignment tools help neutralize this instinctive behavior. In our experience, organizations that effectively counter this sales tendency are more likely to achieve both short- and long-term goals for their new product or service.

STEP 4: Don’t Let Bells and Whistles Take Focus off Customer Problems

PHASE(S): Rollout

The more a rollout meeting or launch event focuses on the bells and whistles of a new product, the less likely the sales force will sell it correctly. Why? Because such a strong product focus compels all but a small percentage of sales professionals to take their eyes off the ball, the customer’s problem(s). And when sales professionals leave the rollout/launch without a customer-centric mission, the hand-off between Marketing and Sales has been fumbled and the odds of launch success greatly reduced. We’ve traced the roots of many failed launches back to rollouts that created buzz around product features and data rather than customer- centric engagement.

Interestingly, when Neil Rackham tested the theory that a problem focus—rather than a product focus—would produce greater sales, the sales professionals were not permitted to even see the new product. He instructed this test group of sales professionals to focus their efforts on determining the best way to uncover and grow customer problems the new device could solve. **The test group given this direction outsold the control group of sales professionals (who were shown all the bells and whistles at the company-wide rollout meeting) by 54%.**

To achieve problem-focused product rollout meetings/launch events and equally impressive sales results, companies in today’s marketplace:

- Get sales professionals smart about customer problems, their consequences, and the value of a solution.
- Leverage problem-focused, customer-centric sales materials and alignment tools to concentrate attention on how to engage the customer versus what to tell the customer.
- Forgo having sales professionals recite product features and specs during training and instead have them practice developing and utilizing strategic questions (assuming the sales force has been trained accordingly) in realistic, scenario-based role-plays.
- *Monetize* the customer problem and the value of the solution where possible. This effort requires the creation of tools that prompt sellers to ask the right questions and to populate ROI formulas.

STEP 5: **Support Launch Success with Mindset, Skills, and Feedback**	**PHASE(S):** **Sales**

Steps 1 through 4 place much responsibility for driving the shift to a problem-focused launch in the hands of marketers. While this shift demands much in the way of behavior change from Marketing, it cannot succeed without similar behavior change from Sales. To ensure Marketing's efforts do not go to waste and the new product meets both launch and the long-term sales goals, the sales team must:

- Embrace a customer-centric mindset. Sales leadership must "walk the talk" to drive the focus on customer needs. Sales professionals must know that their calls are expected to develop customer problems, not just present the product.
- Execute a skilled approach. This requires a questions-based, problem-focused sales methodology that develops customer problems and creates interest in and demand for the solution. This approach must be trained, coached, measured, and rewarded to achieve the results demonstrated in Rackham's research.
- Support the feedback loop. A formal feedback loop between Sales and Marketing ensures the entire commercialization process benefits from lessons learned in the field. Sharing real insights as to the level of resonance particular problems have with customers can allow sales to pivot and adopt new questioning strategies. Additionally, this feedback can inform future product launches, reducing the learning curve.

Benefits of This Program

There is a way to give your company solid immunity against the epidemic of product launch failure. In this paper, we have described a structure for commercializing a new product or service that can significantly increase the odds of success. By approaching the launch process from the "outside-in" and solidifying the hand-off between Marketing and Sales, companies are able to avoid the pitfalls of the typical product launch. Instead of beginning with the product, they begin with customer problems. Instead of allowing marketing messages to get lost in translation, they use tools to ensure Sales stays on-strategy and on-message. And instead of using a rollout to create buzz around product features, they use it to create a buzz around helping customers identify and understand problems. This problem-focused, customer-centric product launch approach has helped companies in diverse industries beat the odds to achieve sales gains of up to 130% of goal and margin gains of 20% over existing product lines.

About The Kensington Firm

The Kensington Firm is a multinational consulting firm led by industry veteran Paul Panzl. We work most often with organizations that are facing one of these challenges:

- **Some metric is off:** Sales are down, margins are down, sales cycles too long, pipeline not producing
- **There is an initiative that must go well:** New product launch, sales process change, new market, switching to outcomes driven sales vs. product driven, price increase…
- **They are not getting price for the value adds that they bring to the market.** Lower priced competitors are convincing their customers that all of your value adds are "nice to haves"
- **Their current method of training does not last, or is not implemented well**. They spent a fortune, and people forgot it, or couldn't operationalize it.