



The Importance of Insight in New Product Development

A White Space white paper

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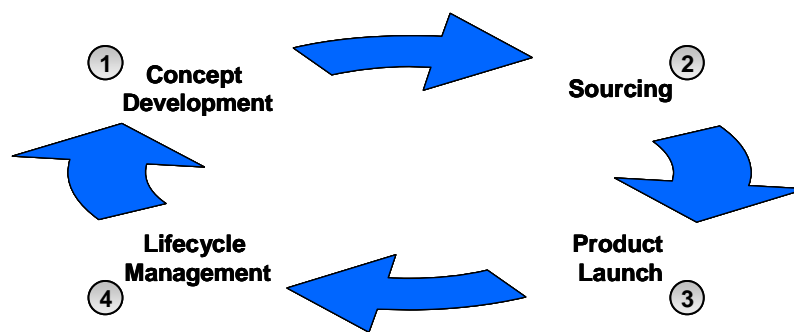


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Introduction: NPD and Competitive Advantage

There was a time when companies could focus on a small range of tried and tested core products, run a series of basic TV adverts and rely on long-held and cordial relationships with a range of retailers to drive sales. Things have moved on. Retailers have become more powerful, and more ruthless. Competition has grown, almost exponentially in some categories. Within FMCG and even consumer electronics, own-label has emerged, often carving out double digit market shares and threatening to commoditise many previously dynamic categories.

NPD, driven by innovation, has, and must continue, to lie at the heart of the manufacturers' response to this changing market dynamic. Our experience, though, is that companies too often become introverted during the NPD process, failing to locate developments within the competitive context of their marketplaces. However, NPD does not occur in a vacuum, and it is essential that companies understand the market environment at all stages of the NPD process:



1. Market Insight and Concept Development

Concept development is generally supported by significant market research budgets to understand the 'true needs of the customer'. The focus here needs to be on understanding customer drivers, not on finding out whether a customer prefers red or green. It is why they prefer it that matters. Proper planning and questionnaire development is critical at this stage in order to allow the research to cut to the heart of the issues.

It is also essential that companies understand the supply side of their marketplaces, including competitor positioning and likely repositioning. In addition to this, retailers, analysts, journalists and regulators may also have an interesting perspective on current and future market demand. By understanding all of these perspectives, and mapping them against your own internal capabilities, you will be able to identify opportunities which both align with your relative strengths and also meet customer demand.

2. Market Insight and Sourcing

Once a company has developed a new product at concept level and has decided to proceed with launch, it is essential that the correct suppliers are identified, both to allow a cost advantage to be achieved and potentially to provide the leading-edge materials required to achieve real innovation. Again, market insight has a central role to play. Supplier analysis can be used to develop a in-depth knowledge of supplier capabilities.

3. Market Insight and Product Launch

There are countless examples of great products which have failed because their launches have been incorrectly managed, or undermined by spoiling tactics deployed by the competition. This is a particular risk when products are being launched into new and unfamiliar marketplaces.

Perhaps more than at any other time of the NPD process, it is vital to build a product launch around an knowledge of the market environment, and of how that environment will change in response to innovation.

By considering the positioning of your competitors as well as the requirements of your customers and competitors' customers, you will have a better chance of optimising positioning for your product. This may allow you to maximise synergies with your existing product portfolio, build cross sell relationships with existing products, construct the most effective channel mix and design the most appropriate promotional and pricing strategies for the marketplace.

Market response wargaming can be a useful tool to develop launch strategy, encouraging key decision makers to locate product launch within the context of the relevant customer and competitor landscapes.

4. Market Insight and Lifecycle Management

Once a product is in the marketplace, its positioning with the end customer changes on a monthly basis, according to the success of marketing initiatives, the longevity of the product, competitor repositioning, and their impact on demand. Successful product lifecycle management requires not just an understanding of where products sit within the wider portfolio, but also of where they sit in the marketplace over the course of time. Regular analysis of customers, including those who have chosen not to buy the new product, competitors, retailers, and opinion leaders will inform the evolution of product positioning and potentially drive further product innovation and future NPD.

Conclusion

As these examples show, the NPD cycle is a complex process involving customers, retailers, suppliers and competitors. The danger is that, whilst looking to innovate and expand the portfolio into new areas, companies fail to look outside of their own businesses and make decisions based on internal expertise, not marketplace opportunity. Relevant market insight can help mitigate these risks and ensure that each new product developed not only provides huge return on investment, but retains its value over the course of the product lifecycle.

For more information on how White Space's market insight services can support your NPD, please contact:



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