



How to Increase New Product Success Rates

Minimize the Losses Associated with Failed New Product Introductions

New products are essential for companies to grow and remain competitive. But roughly half of all new products introduced each year fail to meet expectations, costing manufacturers significant dollars in wasted product development, tooling, production, inventory, and marketing. New products fail when they don't meet consumers' expectations compared to other choices available on the market.

Consumers are regularly presented with a huge range of choices, and seek the greatest value possible. They will select the product that offers the best combination - or bundle - of features. These not only include physical product features, but also include quality level, price, brand, warranty, purchasing convenience and other factors. Having the right combination of these critical characteristics will determine if a new product succeeds or becomes another costly failure. When asked, consumers will typically say they want everything for the lowest price possible – but the actual purchase decision is more complex, and consumers may not be aware of their true preferences. For example, consumers may say they are brand loyal, but our surveys show they frequently choose different brands if the mix of features and price are right. So, how do you identify the right mix of features and price?

Solution:

Conjoint analysis is an advanced statistical method that identifies the features a new product should have, and how to optimally price it. This method puts consumers through a simulated shopping scenario and observes how their preferences change as they are presented with different combinations of product features, pricing, brands, warranties and more. Statistical processes are then used to determine:

- ✓ Which features are the most preferred,
- ✓ The ideal combination of features,
- ✓ The amount consumers will pay to add each feature,
- ✓ The total price consumers will pay for a proposed product and its bundle of features, and
- ✓ The value of your brand compared to competitor brands, plus more.

How it works:

Suppose you are a trail camera manufacturer and plan to develop a new camera for deer hunters. The first step is to identify all the possible features deer hunters might consider when selecting a trail camera. These features can be identified by you or suggested by the researcher, but the best suggestions come from consumers via focus groups or other techniques.¹ The process will then

¹ Relying on co-workers to identify consumers' favored features may be a mistake. Most employees of the hunting and shooting sports industry do not reflect the average customer. To stay ahead of the competition, Southwick Associates suggests regional focus groups, or if budgets permit, techniques such as Voice of the Customer processes that identify consumers' needs – even when they are not sure what those needs and solutions are.



determine which features are the most critical and the degree of importance of each. Trail camera features could include (hypothetical):

Battery performance (standard vs extended)	Price (\$119, \$199, \$249, etc.)
Image resolution (6mp, 8mp, 10mp, etc.)	Brands (A= yours, B = top competitor)
Warranty (1-yr. no fault, 2-yr. limited, etc.)	Infra-red (night pictures)
Video capability	Remote access (Yes or No)
Sensor range (40 ft., 50 ft., 60 ft., etc.)	Packaging

Surveys are then distributed to a reliable sample of deer hunters. Deer hunters are presented with four or five choices of the trail camera, each with a different bundle of the features and prices. The survey clearly describes which features are included, the differences between premium and standard quality features, quality variations, pricing and other important features.

Although each deer hunter only selects from four or five product combinations, many different versions of the survey are presented across all deer hunters, each providing a different mix of products for the hunter to rank. Specialized statistical software is then used to compare preferences across all hunters and identify which features are more critical and their effect on price.

The results of the conjoint analysis not only show which features are the most important, but how much more can be charged by adding specific features. In the simplified, hypothetical results below, deer hunters rate battery life as the most critical feature, and will pay \$14.22 more for a camera with extended battery performance versus a camera with standard battery performance (the survey will specify the differences between average and premium features). Price is the second most important feature considered by hunters, with the negative value (-\$83.17) indicating that hunters who prefer price over other features expect to pay \$83.17 less for their cameras. Some variables (packaging, sensor range, remote access) proved to be irrelevant in hunters' decision-making process, and should not be used as a design or sales point.

Trail Camera Features, Ranked By Importance To Deer Hunters	Deer Hunters Will Pay This Amount More For This Feature:
Extended battery performance	\$14.22
Preferred price for price-driven cameras	-\$83.17
Per additional 2 mega-pixels resolution	\$12.46
Extra paid for your brand vs top competitors' brand	\$10.71
Infra-red / night capability	\$9.46
Video capability	\$7.31
Extra for an additional warranty year	\$0.41
Sensor range	Not important
Packaging	Not important
Remote access	Not important
<i>All results shown here are hypothetical</i>	



In each conjoint project, a simulator tool is provided. This software tool allows you to conduct ‘what if’ scenarios to test which combinations of features would be in greatest demand, how proposed new products would fare versus products and brands already on the market, and the expected revenue. Below is the output common from the simulator tool, allowing the manufacturer to compare multiple combinations of features and the potential price each can command.

Features	Combo 1	Combo 2	Combo 3
Battery performance	Standard	Standard	Extended
Price-driven camera package	Yes	No	No
Image resolution	6mp	8mp	10mp
Brand A (vs Brand B)	No	Yes	Yes
Infra-red / night capability	Yes	Yes	Yes
Video capability	Yes	Yes	Yes
Warranty	1-yr. no fault	1-yr. no fault	2-yr. no fault
<i>Price hunters will pay:</i>	<i>\$118.32</i>	<i>\$224.66</i>	<i>\$237.53</i>

In the results, Combo 1 is designed to sell on price, as offered by your competitor, and hunters will pay \$118.32. Combo 2 is marketed under your brand and is a higher-quality product not designed to sell on price. This combo also has two more mega-pixels in resolution and will sell for \$224.66. In this case, the study shows that just by having your brand on the product means hunters will pay \$10.71 extra. Combo 3 is also offered under your brand, but with two additional mega-pixels, better battery life and a longer warranty. These additional features will only generate an extra \$12.87 in revenue. If adding these extra features costs your company more than \$12.87 per unit, then Combo 3 delivers lower net revenue per sale compared to Combo 2. In this example, Combo 2 will provide better business prospects than Combo 3. By testing all the possible combinations, new products can be identified that present the best opportunities.

Conjoint analyses are not a one-step process to new product success. Other tasks are still vital to the process, such as effective promotional efforts to increase awareness of your products’ availability, successfully reaching retailers, and adequate manufacturing and distribution capabilities. However, by properly identifying products that have a greater chance of success, your company will minimize the amount of dollars lost to unproductive or under-performing new products. In addition, sharing the results of pre-marketing research with targeted retailers may increase the chance of their buying the product and offering premium shelf space and promotions.

Next Steps:

By employing a variety of statistical techniques and tools, Southwick Associates can help companies identify what customers really want in a new product. Our years of experience in the hunting, shooting and sportfishing markets allows us to identify the factors and nuances driving sportsmen’s purchasing decisions, thus providing clients with quality results. The cost of examining all proposed new products using the conjoint approach can be many times less than the cost associated with a failed product. Know before you go to market. Contact Nancy Bacon at



Southwick Associates (Nancy@SouthwickAssociates.com) to learn more about improving your company's success rates and profitability with new product research.

About Southwick Associates: Southwick Associates is a market research and economics firm, specializing in the hunting, shooting, sportfishing, and outdoor recreation markets. For more than 25 years, Southwick Associates has a proven record for delivering comprehensive insights and statistics assisting business and strategic decisions across the entire outdoor industry; from government agencies, industry associations and non-profit organizations, to affiliated businesses and manufacturers. Aside from custom market research, Southwick Associates also provides syndicated participation, media consumption and equipment purchase tracking studies utilizing their proprietary sportsmen panels.

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