Predicting the Success or Failure of a New Product Concept

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In today's fast-paced, technology-driven environment, firms must quickly envision, develop and deliver new products, as being first to market often determines a firm's ultimate success. When operating at this breakneck pace, firms cannot afford to take the time to complete the traditional forms of qualitative and quantitative market research - activities aimed at reducing a firms risk of failure. Taking 9 to 18 months to define and deliver a product is no longer an option. In many of today's industries products must be conceived and delivered within 6 months or less to give a company a first-to-market position. As a result, firms often eliminate or cut back on their customer research, taking on more risk than desired when rolling out their new products. With this added risk, firms are often forced to wait until the product is introduced to gain an accurate assessment as to how customers will respond. This is often a dangerous proposition.

In the days and weeks that follow a product's introduction, evaluations are published or reported by trade magazines, user groups, industry watchers, news magazines and other customer groups that have an interest in the product. Here - often for the first time - companies are learning how potential customers perceive their products. Unfortunately, the news is rarely pleasant. According to statistics published by Kuczmarski & Associates, a Chicago-based consulting firm, organizations are experiencing 12 product failures for every 1 success. This failure rate is costing Fortune 1000 companies alone over $60 billion per year in wasted development effort. In addition, firms put in this position are burdened with inventory and other costs and must decide whether to quickly make product improvements, stop production, pull the product off the market or take other undesirable or costly courses of action. Once a product is introduced, customers and the media are quick to note any product deficiencies - often to the detriment of product sales. A firm's inability to predict the success of its products is often a costly liability.

Imagine the benefits that would be realized if a company could successfully predict which product concepts will succeed and fail in the marketplace. With such power, a firm would possess the ability to pursue only those products and technologies that deliver great levels of customer value and forego those that will fail to produce the desired results. Product failure rates would decline; resources would be focused only on successful products - dramatically improving productivity. Revenues would increase, as expenses are reduced - all resulting in greater company profitability and increased levels of customer satisfaction. Obtaining such power should be the goal of any firm.

So, what is preventing an organization from predicting the success or failure of its products? Of course, the typical answer is a lack of psychic ability or a crystal ball. Fortunately, there is another explanation that is much less ethereal. The truth is - most companies simply do not have the information they need - at the time the information is needed - to determine whether or not a product concept will ultimately succeed or fail in the marketplace. Many firms believe the information needed to make such a determination either does not exist or cannot be captured and therefore do not attempt to obtain it. To make matters worse, traditional methods of market research - which have been used for years - have essentially failed to help firms effectively predict the success of their products. With a typical 12 to 1 failure to success rate, leading companies have concluded that current methods of research are not all that helpful and that a high failure rate is simply a cost of business that cannot be overcome. Does this have to be the case?

Because the future cannot be predicted, most firms have concluded - with seemingly infallible logic, that the ultimate success or failure of a product cannot be accurately predicted. This is a common, but unwarranted conclusion. Although the future cannot be predicted, it can be shaped and molded by well-planned actions - all geared toward achieving the criteria that define what is desired in the future. Likewise, a product can be shaped and created to meet the criteria that customers are going to use to judge its future value, thereby enabling a firm to predict a product's relative success or failure.

Consider the following. Customers use certain criteria to judge the value of a product. A product's ability to meet these criteria reflects its relative value. If an organization knew - in advance - what criteria customers were going to use to judge the value of its products, it could design its products to meet the stated criteria - in effect ensuring the success of the product.

Newly released products are often declared failures because of their inability to meet the criteria that define value in the eyes of the customer. It is at this point that companies often find out what criteria customers are using to judge the value of their products. One must ask, if these criteria can surface and be used to judge the value of a product shortly after its introduction, why can't they be uncovered and used to evaluate a product's potential the day before it is introduced? The week before? Six months before? More to the point, why can't they be uncovered before a product is conceptualized and used to help define the concept itself? Indeed, this challenge is at the heart of the dilemma facing organizations attempting to successfully manage product innovation. Incredibly, these criteria can be uncovered when needed and used to define successful, even breakthrough products.

When a developer of music media, for example, knew its products were going to be judged for their ability to provide access to a large number of songs, play without distortion, require minimal storage space and reproduce sound as if it were live, then designing them to meet these criteria ensured success along each of these important dimensions.

The criteria that customers will use to judge the value of any product can be captured before a company sets out to define a next generation concept or create a product for a new market. Having access to this information at the right time opens the door to many new possibilities. Once obtained, a company can use this information to immediately determine how well a newly conceived product will achieve a customer’s desired outcomes. Weak product concepts are exposed, enabling firms to avoid the allocation of resources to concepts that would ultimately fail. Valued products are systematically identified or created.

With this information in hand, a company can accurately measure the amount of value that will be delivered by a proposed product at the time it is conceptualized - in advance of its introduction; in advance of deploying any resources; in advance of investing the first dollar in development. The music media manufacturer, for example, evaluated the potential of several concepts to provide access to a large number of songs, play without distortion, require minimal storage space and reproduce sound as if it were live - giving the firm insight into which concepts would create the most value. Organizations possessing this information can choose to pursue only those concepts that will create tremendous value and forego those that will deliver less than stellar results. Using these criteria, a company can, in effect, predict the success of the products it pursues by investing only in the most promising opportunities.

Organizations typically develop products and services without knowing their customers desired outcomes, hence they are developed without knowing what criteria will be used to judge the creation of value – until it is too late. As a result, firms have no way of predicting the success or failure of their proposed products and are forced to live with costly and wasteful product failure rates. This inability is tied to involvement in an old paradigm.

Innovation is no longer an art. It is a predictable, repeatable process – an art evolved to a science. The ability to create value has become, and will continue to be, the primary source of sustainable competitive strength. Organizations possessing the ability to predict which products will succeed and which will fail in the marketplace are well positioned to win today's battle for intellectual leadership and tomorrow's battle for market dominance. Recognizing that a product's ultimate success or failure can be predicted is an important step on the road to mastering the process of innovation. Reliance on luck, intuition and gut feel may have worked in the past but continued success will be dependent on out-smarting old and new competitors - with speed and precision. New thinking is paramount to success in a marketplace where the old rules no longer apply.