New Products: the Real Challenge is in Execution, Not Strategy

The Need for Immediate Returns has Snuffed-Out Growth Efforts

Marketers love talking about products like the Swiffer or iPod; two colossal successes in terms of brilliance in innovation and new product development. In fact, rumor has it there are more consulting firms taking credit for Swiffer's development and success than can fit into the new Yankee stadium. The puzzling question remains: Why aren't there more examples of unabashed new product successes? To gain insight, we recently implemented a research study exploring the factors that impact a company's ability to succeed in the ever-important CPG growth domain. Our survey, titled, "Creativity in New Products, A Reality Check," queried 128 senior CPG marketers to gauge the challenges they face in growing their businesses as well as the strategies and thought processes they employ.

In planning the research, we theorized that new product development efforts could be influenced by both strategic and tactical elements. Therefore, we developed a list including five strategic and five tactical pitfalls that could limit a company's ability to succeed. Then, we asked participants to identify those issues which currently challenge them; those they addressed three years ago; those they expect to face three years from now; and which *one* factor occurs most frequently.

Based on our experience, we hypothesized that strategic issues would be the most relevant causes of new product disappointment. We were way off base. We learned that yes, there are strategic issues affecting the outcome of new product activity, but the more relevant issues focus on tactical elements – those things which can be addressed in the short-term. In fact, 63% of survey respondents identified tactical issues as the leading prohibitive factors in the development and launching of new products. The need to satisfy stockholders (Wall Street) has had a profound effect on our ability to identify, develop and launch new products as reflected in the lack of human capital, financial resources and company competencies (another form of human capital). Strategically, we're confident we know where to "place our bets," it's just that financial limitations prevent us from doing it.

The chart below illustrates that three of the strategic categories we identified have become less of an issue in the last three years and are expected to become even less relevant over the next three (or at least remain status quo). These include the identification of differentiated opportunities, identification of the key consumer insight and development of a motivating consumer proposition. Two issues which will become more relevant to marketers have to do with competitive challenges and the elasticity of brand equities. It appears our own tactical issues have caused a bit of paranoia that the competition is moving faster than we are. And, the research further suggests that brand equities (perhaps our most valuable asset) have reached their breaking point, and can't go any further.

Tactically, while all but one factor (the lack of product technology) are expected to decline over time in the amount it can limit our success, several of them are working against higher levels of frustration today, as compared to three years ago. For example, the lack of human capital and financial resources are more relevant today than they were three years ago, but they are projected to be less relevant in '10 than they were in '04. Why? Because new product development efforts are often disrupted or delayed in order to meet the immediate corporate financial obligation – we're responding to the financial needs of the current quarter.

Strategic Issues	'04	'07	'10	Most Frequent
Opportunities Lack Differentiation	53%	46%	35%	13%
Key Consumer Insight is Missing	47%	41%	30%	7%
Competitive Barriers/Challenges	31%	33%	51%	2%
Lack of Motivating Consumer Proposition	37%	23%	23%	5%
Existing Brand Equities don't Transfer	25%	20%	27%	3%
AVERAGE	**31%**	**33%**	**33%**	**6%**

Tactical Issues				
Lack of Human Capital	49%	58%	33%	21%
Limited Financial Resources	48%	52%	44%	13%
Company Competencies Lacking	49%	42%	27%	12%
Expected ROI/Sales Volume too Low	42%	38%	34%	13%
Product Technology is Non-Existent	25%	17%	19%	4%
AVERAGE	**43%**	**41%**	**31%**	**13%**

What are we to do? Well, we're called "managers" for a reason. We need to manage the innovation process so that we can support the best, most promising initiatives, with the limited resources available to us. And when possible, convince our management that additional resources are prudent in order to realize the success that the Swiffer and iPod have enjoyed.

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