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Market Research for New Products

by

Kristin Rowles, Marketing Analyst

Department of Agricultural, Resource, and Managerial Economics, Cornell University

In a changing market, staying competitive often requires the development of new products. As consumer tastes and needs change, products must also change. Developing new products, however, is a risky and costly venture. Experts estimate that eight out of ten new products fail. With such formidable odds, it pays to be informed and prepared to meet the challenges of introducing a new product. Market research is an essential tool to help boost the chances for success.

The new product development process has at least six stages. In each stage, information about the market and consumers is needed to support critical decisions about the product. The list below outlines the stages of product development, information needed at each stage, and research techniques that may be helpful.

- 1. Opportunity identification.** To start, you should seek holes in the market that might be opportunities. At this stage, the following information gathering techniques are useful: focus groups, consumer surveys, analysis of customer suggestions and complaints, brainstorming, industry research (size of market, consumption patterns), and analysis of competitors' products. From the beginning, remember that your customers are an important source of information. Make them a part of your product development team by listening to their suggestions and complaints.

- 2. Concept screening.** Next, you will move from generating ideas to testing ideas. In concept screening, you describe the product idea to potential customers and ask, “would you buy this product?” If consumers do not like the idea of your product, the physical product will probably not do well either. Concept screening allows for the evaluation of winners and losers early in product development before substantial resources are committed to a product’s development. At this stage, focus groups and consumer surveys are useful research methods. Be sure to conduct research in the product’s target market so that the results accurately reflect the potential consumers.
- 3. Marketing strategy development.** Next, you will set a plan for your marketing mix (the four Ps):

 - Product. Define your product in terms of varieties, quality, design, features, brand, packaging, sizes, service, and warranties.
 - Price. Develop a pricing strategy. Consider how you will use list price, discounts, allowances, payment periods, and credit terms.
 - Place. How will your products get to your customers? Which channels will you use (retail, wholesale, foodservice)? Consider the best locations to reach your target market. Also consider transportation, inventory, and storage.
 - Promotion. How will you use the following: sales promotion (coupons, allowances, discounts), advertising, salespeople, public relations?
- 4. Product development.** At this stage, using the information you have collected and the decisions you have made about the 4 Ps, you will design and create the physical product, as well as its packaging, name, logo, and advertising. Research at this stage usually involves repeated cycles of product improvement and testing. Product testing includes both physical performance (e.g., shelf stability) and consumer reactions. Some research techniques useful at this stage are surveys, tasting panels, and in-home placement testing.
- 5. Market testing.** This stage is a last check on the product before it enters the market. At this point, product performance tests are complete. Market testing aims to evaluate advertising, awareness, and usage (AAU) of the product in test markets. The techniques used include simulated store testing and controlled test marketing. Some marketing research firms offer AAU studies.

6. Product introduction. As you introduce the product to the market, you should test the distribution of the product. Is the product getting on the shelves? Is it getting a favorable presentation on the shelves? Again, evaluating advertising, awareness, and usage is important.

For companies that do not have in-house research capabilities, market research consulting firms can provide needed services. However, whether in-house or out-sourced, market research can be expensive. Many companies do not invest in all of the techniques mentioned above. In deciding what kind of investment to make in marketing research, your company must balance the risk of product failure with the costs of marketing research.

Marketing research is not only costly, but it also takes time. In selecting marketing research techniques, you must balance the needs of your schedule. If you want to enter a market quickly, you may not have time to complete all of the marketing research studies mentioned above. Again, balancing your resources and your risks is key in your decisions about marketing research.

With new products, success will not result solely from a good idea or from reliance on a talented sales force. Successful new product marketers learn how to *delight* customers by studying their needs and behaviors. Marketing research can provide you with that information, and it's an investment well worth making to help you beat the odds and succeed in new product development.