REASONS FOR FAILURE IN NEW PRODUCT DEVELOPMENT

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Hollingsworth (1994) reported on the top six reasons for product failure as reported by Group EFO Ltd.:

1. Strategic direction
2. Product not delivering promise
3. Positioning
4. No competitive point of difference
5. Expecting too much too soon
6. Not being lucky

Some other issues which lead to the failure of introduction of new products are-

1) Failure to understand consumer needs and wants
2) Fixing a non-existent problem
3) Targeting the wrong market
4) Incorrect pricing
5) Weak team and internal capabilities
6) Prolonged development
7) Delayed market entry
8) Poor execution

A detailed description for the reasons causing failure of new products-

1. Lack of product uniqueness:

Any product that does not satisfy a unique need of consumers, fails to dislodge more established brands available. Customers must comprehend the new product's advantages. Unless sound communication strategies support the introduction of a new product, failure usually follows.

A product is likely to be perceived as unique if it satisfies a new function; if it satisfies an existing function in a new ways; if its price and performance give it an advantage over the competitive products. It should be distinctive in one way or the other.

2. Poor planning:

Companies must have a game-plan that carries them through every stage and aspect of product's life. The plan is to care for consumers. Many forces are at work that alter consumer's needs and wants for products; life- styles change populations, age and preferences change; similarly needs of industrial buyers are affected by changing business opportunities shortage of energy and material, technological advance and so on. The market potential of the product and the nature of competition must be determined beforehand.

3. Poor timing:

The market success depends, to a large extent, on the ability of the company to launch the product at a time when consumer demand is at its highest. Though it may not always be desirable to be the first to enter the market, undue delay or un-opportune time may mean that the demand for the product demonstrated during consumer testing phase might vanish by the time the product is launched in commercialization period. Hence, appropriate time has its strategic importance in product success.

4. Misguided enthusiasm:

On several occasions, it so happens that there will be either an under-estimation of the strength of competitors or an over-estimation of one's own capabilities resulting in over-optimistic calculations which will be shattered very soon by the actual product performance. This can happen when executives want to market a particular product because; it is tied with their personal ambitions in the company.

Therefore, planners should rely on only authentic and unbiased information for reading the future which is uncertain.

5. Product deficiencies:

Many a times, technical product deficiencies are the common cause of new product failure. Engineers and product technocrats are capable of giving the best laboratory products by over-engineering. This is a good so far as technical superiority is concerned over competitors.

However, an ‘over-engineered’ product costs a lot to the firm and finally to the consumers where competitors have an edge over the firm in question. Technical deficiencies are to be removed but too much should not cost much.

Common mistakes committed in new product development process-

The majority of new products introduced in the market end up as failures. There are several explanations for the abysmally low level of success in new product development.

1. No Market Research:

There has been no serious effort to gather useful information from the market. It seemed like a good product idea and the product was commercialized without any effort to find out if there is a serious demand for the product from customers. After the initial setbacks, the product is not withdrawn. Instead, the price is reduced. That does not address the basic issue and the problems for the company continue.

2. Hasty Commercialization:

Since the entrepreneur is worried about the competitors coming up with a similar product, the product is introduced to the market before it is ready. A lot of bugs would still be remaining and unsatisfactory performance of the product will lead to very bad word-of-mouth publicity for the new product. Ultimately, even if the bugs are fixed and the product is improved, it may prove to be too late to do any good.

3. Focus on Product, Not on Benefits:

Especially in the case of technical or highly complex products, the focus of the development team is on the product itself and not on the benefits the customer is seeking. Ultimately, the customer is buying the product for the benefits it provides, and unless the development team keeps that in mind, the end result would be a great product that no one wants.

4. Lack of Communication:

The customer has no idea that such a product is available. The buyers need to be told about the new product. Especially for a new firm, there is a whole range of things to be communicated. The customers should be given information about what the product does for them, how to use it, and where it is available. Advertising alone will not work all the time and new and effective ways of updating the customer have to be used.

5. Availability of Product:

The customer is unable to buy the product because it cannot be found. The product has to be made available to the customers. Unless it is easy for them to pick up the product at their convenience, the sales target will not be met. The channel partners have to be convinced of the viability of the product and have to stock it adequately.

6. Pricing it High:

The customer does not want to buy the product because it is too costly. The pricing of the product has to be consistent with the benefits it seeks to provide and with the wallet of the target customer. If the cost is too high, the customer will simply ignore the new product and it will stay on the shelves.

7. Pricing it Low:

Sales will happen but that will not result in profits. The price charged to the customer will have to pay for the cost of development, promotion, and production, and then, it will have to generate a healthy profit margin. If all costs are not satisfactorily met, high sales alone will not result in commercial success. Generally, such a problem occurs when costs have not been properly accounted for.

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