



## The Many Faces of New Product Development Market Research

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The truth is: No company regardless of size can afford not to research its market, however basic that may be. Technologists often tend to believe the ability to make a great product is sufficient for success. But that is hardly the case. There is little room for “build it and they will come” thinking. Many good products fail in the marketplace because they just didn’t fill a market need. They may have been great technically, but customers didn’t want what was offered. Businesses that succeed identify a market need and then try to fulfill that need by creating ‘market aligned’ or customer demanded products.

Market research need not be all about statistics. Yes, statistics are used in some research studies when complex numbers need to be crunched. But for the majority of market research activities or studies sophisticated statistical analysis is not required. Focus groups, “day in the life of a customer” research, concept testing, pilots and other qualitative techniques are valuable ways of gaining customer insights. All such research helps in gathering information to shed light on product designs, business directions and decisions at hand. This quote attributed to Andrew Lang (1844-1912) underscores this point – “He uses statistics as a drunken man uses lamp-posts... for support rather than illumination.”

The key word here is illumination. In the context of new product development activities, there exist a number of industry stories or anecdotes where technological innovations supposedly never used market research. Technologist/Entrepreneurs seemingly thought it was a waste of time because how could a customer or consumer appreciate a novel product without using it first.

The often cited story concerns the birth of the Apple computer. Steven Jobs and Steve Wozniak did not do any formal market research – can you imagine asking an average consumer if they would buy a computer, what they would use it for and how much they would pay for this piece of electronics. Clearly, the average person at the time (1977) didn’t even know how to spell “computer” let alone understand what the product would look like.

Good argument but not so fast.

There have been numerous studies conducted, over many decades, which point to the fact new product success included more market research in the development process, done effectively, along every step. Sure there might have been slip ups now and then. But overall the evidence is clear market research is an integral part of new product commercialization. Why? Because it increases the odds of product success by infusing vital customer inputs into the product design and development process which eventually translates into profits.

New product development is very much like gambling. There are high stakes, high uncertainties and high risks especially at the beginning of the process.

For example, an under financed start up with a jaw breaking technology idea must keenly manage risk since uncertainty is very high . There are many unknowns such as—Will the technology be viable? Will customers find it of value? Are there competitors already selling a similar product? What is the market size and is it large enough to create a sustainable business?

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Given these uncertainties, an entrepreneur must make sure that what is at stake—resources such as time and money—are low in the early product development cycle. For example, they might expend very limited resources to build a proof of concept or alpha unit to test the product idea with key potential customers. If positive feedback is received then they will continue plans for further development. By being prudent and by gathering the right information to gain further insights, risk is lowered and uncertainty is also incrementally reduced. The entrepreneur can thus move to the next stage of new product development with more confidence where the stakes (resource expenditures) are higher.

If market research results, in our example above, prove to be negative—all bets would be off. How confident would the entrepreneur be in his product, if customers were not willing to acknowledge it? Would he take the risk and spend more money on developing it anyway? Cutting loses would be the most prudent decision at this juncture. However, there are those who will continue with development and spend more money only to face failure later. A tough lesson, indeed!

What lowers uncertainty is information. With information, risk can be managed incrementally by leveraging the insights gathered from one step to the next as more insights shed light on the chances of a product's success. Moreover, stakes can also be increased as additional resources needed for the next stage of the process can be justifiably committed.

Market research is fundamental to the process. It is a valuable directional compass to guide innovating entrepreneurs toward what are customer's needs, wants and desires and how these should be used to shape a product's development. It helps in creating successful products. And this eventually translates into increased value and profits for the company.

There are many ways to gather market information. The methods vary depending upon the budget available, the information needed to be collected, a product's stage in the new product development process, the product type, the extent of incremental product changes, the level of investment and other factors depending upon circumstances.

The tools used in market research can be categorized there into two fundamental approaches.

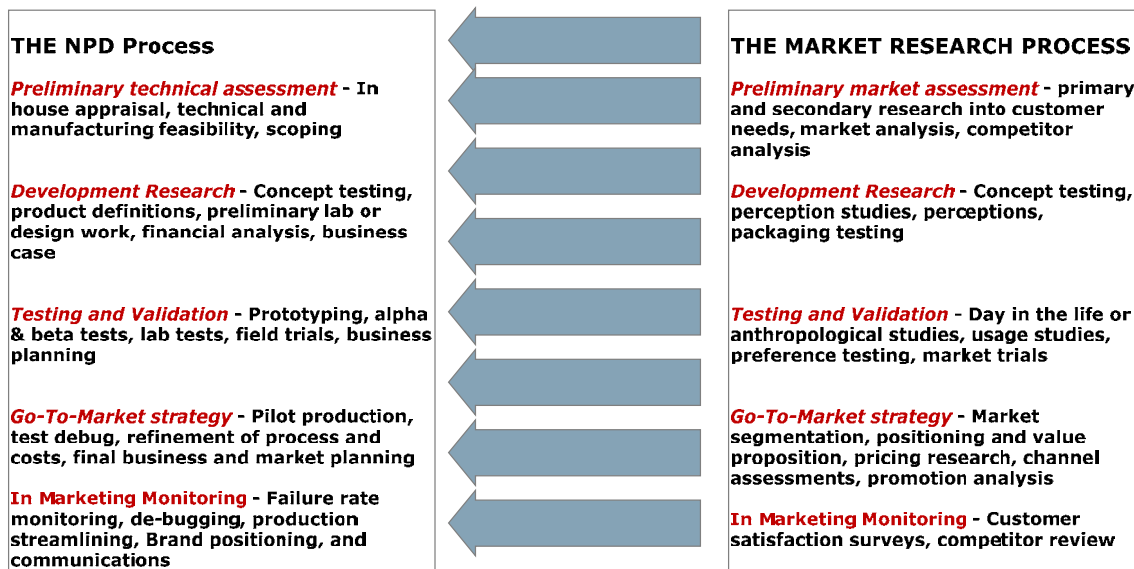
- Primary research concentrates on gathering information directly from the markets you intend to target. The methodologies used for data collection are focus groups, personal interviews, telephone interviews, observations or other direct means of gathering information. This means you might canvass customers, channel partners or buy your competitors' products or services.
- Secondary research focuses on gathering information from third party sources such as publications, books, periodicals, research reports and white papers, trade associations, government departments and, of course, the plethora of information freely available on the Internet.



The many faces of market research are illustrated in figure 1. Each of these tools sets are in support of the new product development process (NPD). There is really no “one size fits all” research tool particularly relevant for the entire process of NPD. However, figure 1 gives a respectable high level overview on some of the tools which may be appropriate at each stage.

Figure 1

### How NPD Process is Supported by Market Research



Should you wish to discuss any of the NPD market research tools described above, we would be more than happy to hear from you.

We also invite you to enquire about our two-hour training session entitled “Market Research for NPD”. The session covers do-it-yourself market research methods, tools, and information sources including market sizing, customer needs assessment, competitor analysis and pricing.

This session is created to give entrepreneurs an overview on what can be helpful in infusing the voice of the customer into product innovations .

To your new product success!