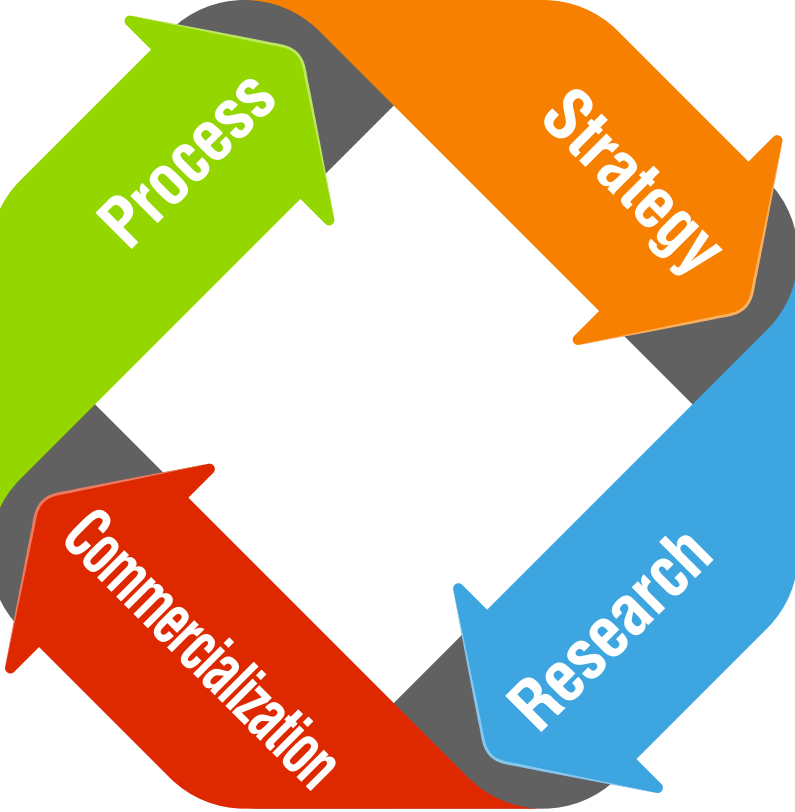Pragmatic Innovation:
Optimizing Product Development to Find The Sweet Spot

by Beverly Emerson

Why are some new products successful and so many others fail? Countless studies and books have been published addressing this very issue in an attempt to help companies create more successes and fewer failures. Among professionals and academics who practice and study the science of new product development (NPD), there is general consensus on the top "best practices" that affect the success of new product introductions. These include:

- **Strategy** – defining and planning of new product efforts
- **Research** – both technical knowledge and consumer understanding
- **Commercialization** – the activities related to marketing and launch
- **Process** – the actual activities and go/no go points associated with bringing an idea through to market launch.[1]

Companies that use a structured NPD process have a 400-percent higher chance of market success for their new products. At the same time, they experience a 200-percent decrease in time to market.[2] These companies recognize product development is not isolated to what happens in the laboratory— it actually occurs well ahead of that, from the time a need is identified in the market or the moment someone has a great idea.

So how can we in the food and beverage industry, Fortune 100s as well as start-ups, begin to integrate some of these practices into the NPD cycle? First, there are well-documented steps that occur in managing NPD across industries and around the world, so there is a process that can be applied. Second, we need to develop processes within each step to ensure there is sufficient strategy and research built in, so the commercialized end product is one that is well positioned to succeed.
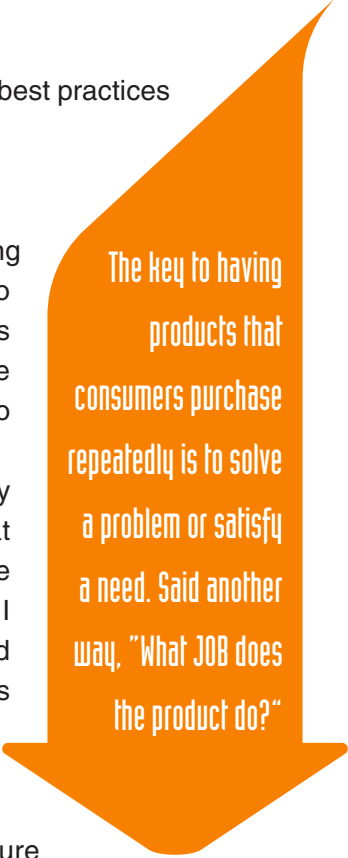
Let's look at the steps of product development to see how these best practices can be incorporated as well.

1. Problem Identification

The first step in creating successful new products is determining the market need. This is true whether the goal is to be "first to market" with a unique product or a "fast-follower" that executes better than the market leader. Unless there is a need, a hole to be filled, a problem to be solved, a unique reason for being, there is no reason for consumers to purchase a new product.

The key to having products that consumers purchase repeatedly is to solve a problem or satisfy a need. Clayton Christensen at Harvard Business School put it another way: "What JOB does the product do?" Consumers are always creating "work-arounds." I know people who mix fish oil into yogurt because they can't stand the burping two hours later but they want to follow their doctor's advice. There are mothers who are making their special concoctions of pediatrician-designed homemade diaper cream to help soothe extreme diaper rash. Consumers are always looking for something to fill a need. Product developers must figure out what they want and, more importantly, why they want it. What are they trying to accomplish and why? We talk with our consumers as well as those who are NOT our consumers about what they do and why they do it, why they choose some products over others. We take the time to watch how consumers create work-arounds, observing how they approach their daily challenges. If we ask enough questions, especially why questions, we eventually get to the crux of the consumer issue. Asking more questions such as "How?" and "What about?" and probing into what consumers are jerry-rigging in their kitchens and medicine cabinets to create work-arounds often leads to potential solutions.

Consider that for years, mothers have wanted to introduce new foods to their babies and toddlers with a minimal amount of preparation, a maximum amount of safety and, ideally, a minimum mess. Mesh baby feeders, sold by brands such as Munchkins, Sassy and Evenflo, partially solved this issue by enabling mothers to put a variety of fresh fruits into the bag and not need to worry about choking, alleviating a huge worry. When the first crushed-fruit products in squeezable packaging hit the market, they were met with significant success because they provided even more convenience and significantly less mess. Now, further formulations that go well beyond, including vegetables and proteins, are being offered and companies are testing the water with these products adapted for adults on the go.

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Reliably recognizing a problem that needs solving involves getting out of the office and into the heads of consumers and buyers. Spend time watching them and asking questions, repeatedly. Getting into the field allows us to test our assumptions and make modifications according to the results (iterative learning). Doing sufficient market research is imperative, and can be conducted in many different ways to meet different objectives and a variety of budgets. Sometimes social media can uncover trends and issues; other times, conventional research, either primary or secondary, sometimes domestically but often internationally, can help elucidate how consumers are dealing with issues every day. Testing our assumptions about usability, motivations and behaviors is foundational to ensuring the concepts and prototypes eventually developed are based on providing real value.

2. Concept Generation

Concept generation as well as problem identification are the two steps most often ignored in the NPD process. Instead, someone comes up with an idea and it is sometimes evaluated (degree of scrutiny depending on the size of the company, management expertise and the resources allocated). Doing this without clear identification of the consumer's problem, or need, generally results in wasted time and resources, with technology development and human resources applied to developing products that simply aren't desired—there is no reason a retailer should bring it on and no compelling reason why a consumer should purchase it. Rarely is the first idea the best idea, although it often forms the platform on top of which even better ideas evolve.

Cross-functional teams and outside consumer involvement are key not only to coming up with new concepts, but in evaluating them later. The mix of people in the room matters, and diversity enables the group to assess problems and concepts from myriad points of view. Different perspectives and cultures add significantly to the process and ultimately develop better ideas by looking through each other's lenses. We collectively look at the market research and study what our target consumer is buying in different categories and in different countries that might apply to a situation. Looking globally to see what is done in other cultures allows us to see from different perspectives. What do they feed their children? What is new in how they deliver nutrition and wellness to their athletes? Staying plugged in to universities and leading-edge researchers is key in connecting the dots, creating products that combine leading-edge science and technology with consumer demand.

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Management needs to critically evaluate the concepts on a number of criteria: Are they a strategic fit for the company? What technology will be required? Is it scalable (can production keep up with expanded distribution)? Is there potential intellectual property (IP) that could be developed, thereby increasing the market lead? Financials need to be checked early—does it seem to be affordable? Or are the capital, technology or raw materials simply too expensive to meet revenue/profit goals or retail price point? Often developing weighted scorecards is useful for organizations to sort through many different concepts quickly, screening out the ones that don't fit. If the concept passes internal evaluation, then we move to external evaluation.

We go back to our target customers to have THEM tell US whether the idea solves the initial problem. Do they consider it to be unique? Is there some excitement around the idea? What would they STOP purchasing if they began purchasing this product? How often would they use it? Often the shopper is different from the one using the product, and so it is important to interview both potential consumers (kids, for example) and their mothers (and an increasing number of fathers). Sometimes it is too difficult for consumers to understand an idea without a sample in front of them. In this case, creating rough benchtop samples or a minimum viable product can be very helpful in increasing the likelihood of reliable results. The more information consumers have about the idea, the better they can tell you what they think of it.

3. Development: Technical and Brand

Based on consumer feedback on the concept, the NPD team identifies ingredients, packaging, dosages, sources and processing requirements, and addresses stability/IP requirements.

From a technical standpoint, one of the first things that is helpful is to create a product spec sheet that outlines all the final product requirements: Ingredients—vegan? Kosher? Non-allergenic? Nutrient claims? Structure-function claims? Where will the product be sold? Is "Made in USA" important to the consumer? Ideal sensory properties need to be identified—flavor, mouthfeel and color are all critical. What is the target cost? What packaging will be used? If the packaging provides a key value to the consumer, test that with consumers as well.

The team meets regularly to ensure the objectives and milestones are being met. Testing with consumers is done and the product is re-worked. Successful research and development (R&D) of new products hinges upon knowing what the

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end product should be like. The more clear the product parameters upfront, the fewer revisions the formulation scientist needs to go through and the faster you can get a winning product to market.

Again, involving the consumer often, and allowing time in the schedule for refinements, allows the team to optimize both the product and positioning as much as possible before releasing it to sales.

Meanwhile, the marketing/sales/creative team is working to create the brand and the marketing plan. This involves working through the concepts to refine the core message, create a brand, solidify the positioning and begin creating the inspiration, or the WOW factor around the product. A successful new product occupies the small space at the intersection of Consumer Demand, Leading-Edge Technology and Emotional Pull. It's a place we refer to as Pragmatic Innovation™.

Pragmatic Innovation™
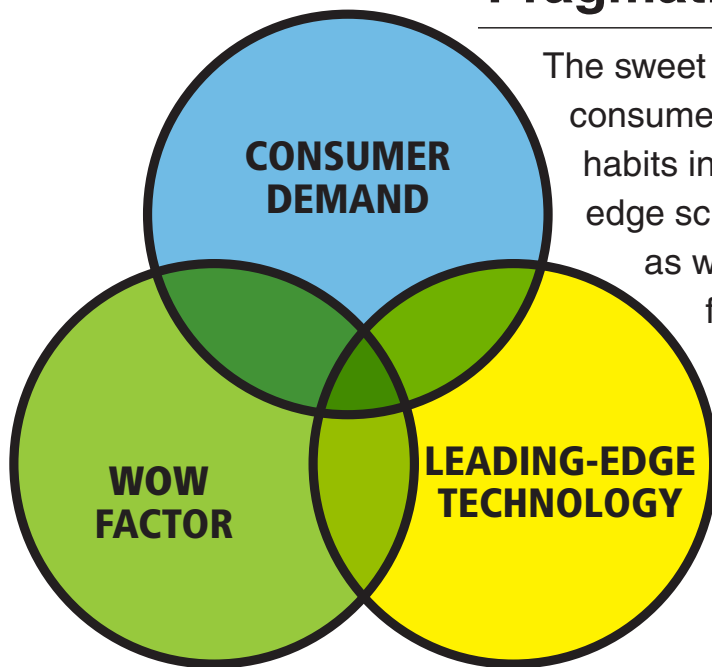
The sweet spot is where consumers' desires, trends and habits intersect with leading-edge science and technology as well as the wow factor—the compelling emotional pull that draws users in.

CONSUMER DEMAND

WOW FACTOR

LEADING-EDGE TECHNOLOGY

While we would like to think shoppers buy rationally, the reality is that brands sell as much on emotion as anything, so creating a look and feel that resonates is critical. Creating this portion of the marketing, which ultimately leads into package and label design, is best done BEFORE the technical formulation is complete. Consider creating several different looks and geting input from the target audience.

4. Commercialization/Test Launch

Executing the sales and marketing plan, and moving into full manufacturing mode for the formula/technology developed in step three is the final step in taking a product to market. Successful commercialization is one of the four top best practices of NPD discussed earlier. This commercialization phase needs to be handled as strategically as any other phase. For smaller brands, this almost always means a staggered rollout, where cash flow can be measured, consumer feedback generated and product optimizations made. Considering the launch of a new product, a test launch reminds us that we are still open to learning and refining. At this point, production is running, internal systems are set, sales training is completed, execution of the marketing plans are underway and sales is presenting to accounts, all based on an agreed-upon roll-out strategy. A full marketing strategy includes implementation of the communications plan—how will public relations and advertising be handled? When and how will the brand be launched to retailers? Understanding whether the next phase is additional distribution or additional investor dollars makes a difference in how the launch is handled.

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Summary

Two questions typically arise when we talk about this process, which is heavy in testing validations with consumers.

1. How do we go through the process quickly without turning a six-month process into a two-year process? Or for more challenging products, turning a two-year process into a five-year process and miss the window?

2. How does one afford to consumer test at every turn?

The answer to the first question is: A company takes a staggered approach to launching the new product, commercializing small quantities of product as quickly as possible, launching them in a small market, and continuing to innovate and improve the product based on customer feedback.[3] Not only is the line generating revenue coming in, but changes can be made and implemented as new retailers are brought on board. This staggered launch method is particularly effective for new brands and startup companies.

The answer to the second question is: creativity and risk/ return. The more external evaluation and testing that is done

throughout the new product development process, the lower the risk of failure. With large budgets, there can be the temptation to over-test, taking too long to deliver a product to market. With small budgets, there is the risk of doing too little testing, and assuming the executive team understands the consumer's viewpoint and doesn't need to do more testing. Testing must be both strategic and creative to meet small budgets; but, it's critical, both for small-mid sized companies without larger budgets and for multinationals who want to move more swiftly.

Having an integrated, structured process for NPD is not only for the large national or multi-national companies. It is actually even more critical for smaller companies, where the failure of new products can mean the difference between meeting payroll and not, between rolling into a new region and shuttering the doors. By creating multifunctional teams internally and thinking strategically; staying on the cutting edge of technical and consumer research; and continually testing assumptions, messaging and sensory attributes, companies can help ensure that the final product has significant consumer value.

The process described above builds upon the traditional five steps of NPD to help companies create consumer-driven innovations—ones that can make a significant difference to both the health and wellness of consumers and to the corporate bottom line. At the same time, strategy and research are key to the process itself, creating a best-practice process for NPD, applicable to both startups and larger companies. ❑
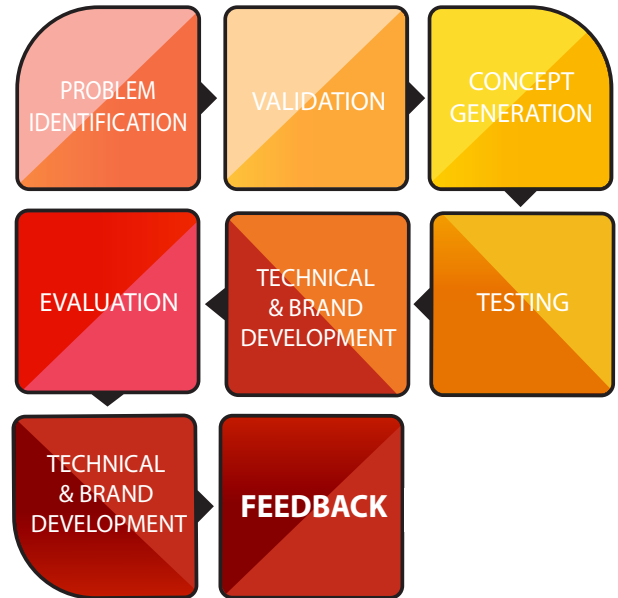
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