

Improving the New Product Process

Read the following case study on a hypothetical manufacturer and their product development activities. Review their new product development process. Identify what they appeared to do well and identify potential improvement areas for the future.

Company Background

West-White is a manufacturer of white-goods (e.g. washers, refrigerators) and various other household appliances. They were established in 1962 in Perth, Western Australia - hence their company name West (for Western Australia) and White (for white-goods).

Last year their sales revenues were \$150 million, with a pre-tax profit of \$7 million. They have around 250 employees, and would be considered a medium-sized business. They are faced with an increasing competitive threat from larger firms, who have far lower manufacturing costs (as their competitors manufacture their products overseas, whereas West-White still manufactures in Perth).

Fortunately, West-White had developed strong relationships, over many years, with a number of retail chains. And it has been this strength that has helped to maintain sales.

Marketing Meeting - Last Year

This case focuses upon a new product development (nicknamed "The Moat"), which started its life in marketing meeting last year. The following is an excerpt of that meeting's discussion.

Tom: OK team, yesterday I met with the CEO and the news is not good. To put it bluntly, he is not happy with the firm's overall level of profitability.

Katie: He's not happy with a mere \$7 million profit per year?

Tom: Well, he believes that we need to build our profits in order to be in a stronger financial position for the competitive challenges that lay ahead. Therefore, we (that is, Marketing) have three years to increase annual profits to \$10 million.

Brad: And how does he suggest we do that?

Tom: He said it was up to us in marketing to "make it happen". So, as I see it, we need a three-pronged approach.

First, we increase our sales representatives by 10% - this should help get even greater support from our retailers, and may be even get a few new ones.

Second, we need to hit a new market, probably the hotel/motel industry - some of our existing products should appeal to that market quite nicely.

And third, we need to develop several new products, it's been sometime since we've added to our product range - and I believe we need to be seen as the "innovators" again, like the firm used to be in the 1960's and 70's.

Katie: Can I just ask, is this your plan or are they the CEO's ideas?

Tom: It's my plan, like I said, his words were "It's up to you how - just make it happen!"

Brad: So what new products did you have in mind?

Tom: I've been talking to Angelina in R+D. They have picked up on a trend that's getting big in Europe. Basically, there has been a growing market for "two appliances in one". For example, combined washing machines and dryers (which are the size of a normal washing machine) are now selling well.

Katie: That type of product would be good in the big cities where housing costs are "forcing" people into smaller accommodation. A lot of people live alone in one-bedroom apartments these days - it's a fast-growing market.

Tom: Exactly. Therefore, the product that R+D think that they can develop quickly is a combined Microwave Oven And Toaster, which they call "The Moat".

Brad: To be honest, my initial reaction is that it sounds a little bit silly. Who would want a product like that? Maybe we should look for some better product ideas?

Tom: Firstly, let's forget initial reactions, let's do things right. Therefore, I want you to organize a quick concept test to check out likely demand. And second, remember we're in a race to increase profits, so we don't have time to look around for better concepts - we have to make things happen right now!

Katie: Tom, but don't you think that we should have a closer look at the product idea before we start spending money on a concept test?

Tom: No, time is of the essence. We need to move quickly and get some market reaction. That's the only thing we don't know. Our R+D people think that it's pretty straightforward technically. In terms of marketing, we can simply utilize our supportive retailers. So it all looks good - the only unknown is likely sales so we can work out the financials. That's why we need a concept test and fast!

Concept Test Results

The marketing team decided that the best way to conduct the concept test was to conduct a series of focus groups. Four different groups were conducted. The groups varied by age and gender (that is younger males, older males, younger females, and older females). The broad results were as follows:

- All groups agreed that the product was an innovative idea,
- All groups indicated that they regularly used their microwaves and their toasters,
- Younger males indicated that they would definitely buy this product,
- Other groups indicated that they may buy this product, and
- Product concerns were lack of portability, ability to clean, and overall look.

As a result of these outcomes, and despite strong doubts from Brad and Katie, Tom decided to 'green light' this product and move to the development stage (due to the strength of interest from a potential target market - younger males).

Fast Development

As R+D suggested, they were able to prepare a prototype of the Moat fairly quickly. The next step was the setting up of the manufacturing line. This was initially scheduled for two months, but ended up taking five months to complete. While production capacity was being established, Tom's marketing team started preparing the promotional materials for their sales representatives, as well as significant POP materials and various trade offers.

This is because they had decided that the best approach was via trade promotion. (Note: They were generally "push" marketers anyway, and had not done a lot of consumer promotion in the past.)

The "Unlucky" Launch

Almost in record time, the Moat hit the market in May. However, sales to-date have been very poor, with less than 50 units sold in total across all their retailers. Even some of their 'non-core' retailers have already informed West-White that they no longer wish to stock the product. These retailers suggested that:

- The 'look' of the product is unattractive,
- It does not have the 'convenience' of having the two products (that is, microwave and toaster) as separate appliances, and
- They also state that most consumers usually come into their stores to buy either a toaster OR a microwave (either for themselves or as a gift), and that very few people are looking to buy both at the one time.

Regardless of the initial results, Tom remains optimistic for the product's long-term success. According to Tom, "It's simply a product ahead of its time - you've got to think of the product diffusion curve - it's a new-to-the-world product that will take a while to be adopted.

In the future it will become a very big seller. And besides, we were very unlucky that its launch coincided with a major national campaign by Samsung for their range of household appliances. We don't have the promotional dollars to match a large competitor like that."

At the moment, Tom's team is working on a plan to target the Moat more directly at innovators and early adopters (in order to increase its speed of adoption). "We simply have to get some reasonable initial sales, and then word-of-mouth promotion will do the rest", said Tom.

Student Discussion Questions

1. List the broad steps that they undertook in their new product process.
2. Which parts of the process did they do well?
3. Which parts of the process do they need to improve?
4. Other than considering their product development activities, what other strategic advice do you have for them?