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# How some new products succeed while others flop

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*Look for the secret in the interaction of form and function*

The Ford Edsel, the Apple Newton and New Coke are all well-known examples of product launch failures.

But, in fact, the vast majority of the consumer products launched each year fail to win enough sales. **Tania Bucic**, an associate professor and deputy head of the school of marketing at UNSW Business School, says the percentage of successful new product launches is in the single digits.

"That's problematic because companies invest a fortune in resources to foster innovation and create new products," Bucic says.

The reasons for innovation are clear – to provide better solutions to problems and to achieve organic business growth. But what is less clear is what makes consumers respond favourably to one new product, but not to another.

It's a question Bucic and her school of marketing colleagues, Liem Viet Ngo and Obaid Gill, examine in a new paper, *Deciphering successful new product launch: Finding balance between design form and function, and consumer innovativeness*.

Existing research has established that consumers evaluate new products based on two factors: form, or its visual appeal; and function, the product's utility.

"When form and function interact, it affects how people perceive the value of the new offering and their perceptions about how effectively it will be able to deliver a better solution," Bucic says.

"Of course, if a business can understand which aspects of the product – form or function – and the combination that appeals to consumers, they will be able to better manage how they balance investments into developing each set of attributes.

"By meeting the needs of consumers, they will achieve their organic business growth. So it becomes a positive outcome for the business and consumers," she adds.

## **Better solutions**

The researchers set out to understand what level of newness – in form and in function – consumers would respond to.

"The reason this is important is because when people make decisions about new products they use different psychological evaluation mechanisms to ascribe different weights to the cost and benefits that are associated with that new product.

"How risky is it? How valuable is it? How worthwhile is it? How good will it be at solving my problem?" Bucic explains.

The researchers divided new products into four categories – those with a continuous form and a continuous function (looked much the same and did the same sorts of things as existing products); products with a discontinuous form and a continuous function (looked new but did the same sorts of things); a continuous form and a discontinuous function (looked the same but did new things); and finally a discontinuous form and discontinuous function (all new).

Test subjects were shown pictures and text descriptions of digital cameras in each of the four categories.

The first was a digital camera that looked and operated like other digital cameras already on the market. Next was a camera that looked the same as the cameras we are used to, but could do more, such as capturing 3D images and taking pictures with a much higher resolution.

The remaining two cameras had a discontinuous form – they didn't look much like today's cameras and instead had an all-white body that was mostly grip and viewfinder and a large black lens.

The researchers divided their test subjects into two categories – innovators and adaptors.

Innovators like the radically new and enjoy being first to trial products. Forty years ago they would have been the first consumers in Australia to buy a colour television and a decade ago they would have been first to buy an iPhone.

Adaptors make up the vast majority of the market. While they like better solutions, they are also more cautious and more aware of the risks when they evaluate and adopt new products.

## **The adoption curve**

The researchers found innovators responded well to new products with any sort of discontinuity – either in form or in function.

"Out of all of the combinations, if discontinuous or the radically new pops up in any dimension of form or function, innovators should be the target because they will be less likely to resist it and more likely to welcome it," says Bucic.

"For targeting adaptors, who are essentially the majority of the rest of the market, it should be continuous in form and function."

When companies launch a new product they often segment the market using demographic variables and historic consumer usage behaviour for related categories to infer how the product will evolve along what Bucic calls the adoption curve.

However, what is not known is the specific detail about how people vary in their adoption decisions along the curve – what levers make people adopt the product, or not.

Bucic and her colleagues' research provides a new level of granularity about how consumers evaluate the radically new compared with the 'just new' in terms of form or function or both.

"Often companies think that innovators are the target market because a product is new, but this research shows that the level of newness is important when deciding who to target," says Bucic.

Product launches only have a small window of opportunity – a failed product usually doesn't get a second chance – and Bucic says the research can help guide companies on where to focus their marketing efforts to maximise their chance of success.

## **Market acceptance**

The co-authors' work is in the context of durable goods such as electrical goods or motor cars. Innovation also applies to simpler products, such as snack foods, though they lie in a different context – that of fast-moving consumer goods.

Bucic notes that innovation and diffusion rules may not be the same across these categories.

Seb Brandt, marketing director at Red Bull Australia, agrees that innovators are predisposed to try new products, more than others.

"Where you really, really make significant strides with innovators is where you launch potentially a cracker or a completely new shape of chip, or a chip that has a different function," Brandt says.

But he also identifies another factor – consumers who are already heavy users of a brand. They are also predisposed to try anything new the brand releases. Brandt says the two factors came together with the US launch of a new shape of corn chip by PepsiCo brand Tostitos.

"They come in a little shell shape which you can actually fill with dip and it will stand up," he says.

For snack foods, Brandt isn't convinced about specific targeting of either adaptors or innovators in a new product launch, saying he tries for both.

"You want innovators and adaptors to pick up everything. And so, any time that you try and go too niche, if you make the jump too incremental, you're only going to get that 5% or 10% of innovators pick it up and actually the commercial return is going to be lower," he says.

However, Bucic says a product successfully launched to innovators will have high chances of making its way along the adoption curve into a broader market.

"If all goes well, the innovators will evaluate the product positively. If they choose to purchase the product, they will be converted from consumers into customers. That product then becomes

accepted by the market and it travels through the diffusion curve which means that it does move into the adaptor category," she says.

"The entry point is very different for the very new – radical innovation – compared with the 'just new' – incremental innovation – for durable goods."

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