The Role of New-Product Announcements in The Industrial New-Product Development Process

by

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SUMMARY

New-product development processes have been studied from a wide variety of angles, enhancing both academic knowledge and managerial practice. However, despite all this attention the relevance and role of new-product announcements has generally been ignored. Numerous practical examples suggest that new-product announcements play a pivotal role in successfully marketing high-technology products. This paper presents an international comparative study investigating the nature, role and importance of new-product announcements.
1. INTRODUCTION

The last two decades have witnessed the growth of a rich body of empirical research on innovation leading to an ever increasing number of publications, dealing with such issues as the critical importance of new products, factors determining success and failure, the management of innovations processes, the role of marketing, cooperation with external parties in networks, the marketing-R&D interface, and various characterizations of the new-product development (NPD) process. However, while the NPD process is broken down into numerous activities, the role of new-product announcements is frequently ignored. Nevertheless, new-product announcements may play a pivotal role in the NPD process. This paper describes an international comparative study designed to address this neglected issue.

2. THEORETICAL BACKGROUND

As regards the NPD process, Saren (1984) proposed a very useful typology, by distinguishing between:
- departmental-stage models,
- activity-stage models
- decision-stage models,
- conversion process models, and
- response models.

Whereas some of the earlier models belong to the first category, most models employed by present-day researchers can be characterized as being either activity-stage or decision-stage oriented. The difference between these two types of models is minor: while activity-stage models represent the new-product development process by a sequence of activities, decision-stage models link the various activities by evaluation points. At every evaluation point a GO/NO GO decision is made (Balachandra, 1984).

The best known representation of the new-product development process is the activity-stage model developed by Booz, Allen & Hamilton (1968), which depicts the new-product development process as consisting of six subsequent stages: (1) exploration, (2) screening, (3) business analysis, (4) development, (5) testing and
commercialization. The Booz, Allen & Hamilton model has formed the basis for a large number of similar models (Haeffner, 1973; Cooper, 1983; Moore, 1984; Samli, Palda and Barker, 1987). Table 1 compares descriptions of the NPD process taken from five different sources:

- a combination of a large-scale empirical study, an analysis of existing models and a review of 60 flow charts of case histories of new product projects (Cooper, 1983),
- a classic industrial marketing text (Webster, 1984),
- two textbooks about new products management (Urban, Hauser and Dholakia, 1987 and Kuczmarski, 1988), and
- a very recent industrial marketing textbook (Powers, 1991).

While much of the traditional literature defines the process in terms of seven stages (e.g. Cooper, 1983 and Webster, 1984), others feel a need to expand (Kuczmarski, 1988) or condense (Urban et al., 1987; Powers, 1991) the process. However, none of these models mentions the announcement of the new product as a distinct activity within the NPD process. Even the very comprehensive model presented by Crawford (1983) refers to announcement as a "self-explanatory" part of the commercialization stage. Nevertheless, as Rabino and Moore (1989) recently noted, "product announcements and the planning that leads up to product announcements have become increasingly formalized as part of the prelaunch activities of a new-product introduction. This is particularly true in the high-technology sector".

The strategic role of new-product announcements is acknowledged by Wind and Mahajan (1987) who introduce the concept of marketing hype: a set of prelaunch activities leading to the creation of a supportive market environment, which includes distribution channels, providers of support products and services, media and opinion leaders. They state that the success of high-tech products greatly depends on the support of multiple stakeholders; "the introductory prelaunch marketing program of an innovative new product should be geared to all these actors and not just the consumer".

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1 However, it should be noted that while Cooper mentions seven major stages, the complete model distinguishes 16 distinct activities and various evaluation points.
Table 1. A comparison of five descriptions of the new-product development process

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3. EMPIRICAL EVIDENCE

The empirical evidence supporting the view that new-product announcements should be regarded as a distinctive part of the NPD process, which needs to be managed carefully to ensure successful product launch, comes from two separate sources.

- Anecdotal evidence from a study of new product development in the Netherlands (Biemans, 1989b)
During the years 1985-1989 we conducted an intensive investigation into the development practices of industrial firms through the in-depth study of five cases taken from various sectors of Dutch industry, followed by a detailed study of seventeen cases of new product development within thirteen firms in the Dutch medical equipment industry. The study employed a network perspective by focussing on cooperation during product development and aimed at generating practical guidelines for management. As the results of this investigation have been presented
at previous IMP Conferences (Biemans and de Vries, 1988; Biemans, 1989a; Biemans, 1990; Biemans and Shaw, 1990), we will limit ourselves to presenting some anecdotal evidence on the role of new-product announcements within the context of the NPD process. Consider the following example.

In response to a new-product introduction by a major competitor, Eye-Tech (fictitious name) developed an improved version of the product with distinct user benefits. The developed prototype was tested in-house, demonstrated at an important annual trade show for end users and tested by a local hospital. Based on the positive results, the product was subsequently launched during an annual sales meeting and clinically tested by a number of hospitals in the Netherlands and abroad. After modifying some details of the product's design, the first production run of 25 units was started. One of these units was tested by an evaluation centre in Germany. While the first orders generated by enthusiastic dealers arrived, some essential defects were uncovered by the German centre. This necessitated (1) stopping delivery, (2) taking back and modifying all units already delivered and (3) discouraging further demand generated by the dealers.

The above example clearly shows that the timing of new-product announcements is critical; premature announcements followed by production problems can lead to serious problems and strain inter firm relations. This is also illustrated by the next example.

Ammeraal Conveyor Belting B.V., one of the world's major suppliers of process and conveyor belting, developed a new belt and had it tested by a selected group of potential users. However, sales representatives got overenthusiastic and were already selling the new belt at the time of external testing. That is, before it was actually introduced into the market (before it was even decided that the new belt would in fact be introduced!). Because of this, Ammeraal got into serious problems with one major customer. The customer had tested the new belt, found it to be the perfect solution for an existing problem, and placed a large order at once. In the meantime, however, Ammeraal had run into production problems which necessitated postponement of market introduction. Several meetings at top management level were necessary to restore the good relationship between the two firms.

In addition to emphasizing the aspect of timing, the above example stresses the need for an extensive internal communication program as part of the announcement process. Such an internal program includes careful briefing of all sales personnel. Achieving
the right balance between internal and external announcements is critical to success and may require careful orchestration. Consider, for instance, the case of Ammeraal, a multinational firm with operating companies in various countries and working through independent dealers in others. Ammeraal's new-product announcement process includes:

- **internal announcements:**
  1. at company headquarters;
  2. to sales staff at holding company;
  3. to operating companies;
  4. to sales staff at operating companies; and
  5. to dealers in other countries; as well as

- **external announcements:**
  6. to carefully defined market segments in a selected group of countries; and
  7. in remaining countries (both countries with operating companies and countries with independent dealers).

To further complicate matters, a distinction can be made between new-product announcement and new-product introduction.

A third observation refers to the difference between planned and realized new-product announcements. This critical difference is illustrated by the case of Ammeraal, where the enthusiasm of sales representatives led to a new-product announcement that was not really planned. However, management always needs to realize that, as a result of external testing, the new product is unlikely to remain confidential. Testing in the market is a means by which information is disseminated as well as gathered (Foxall, 1984). This is also recognized by Rabino and Moore (1989) who mention that "beta tests ... serve the important function of alerting selected users to an imminent product launch". Let us take a closer look at their study.

- **An empirical study of the role of new-product announcements within the context of introducing mainframe computers in the U.S.A. (Rabino and Moore, 1989)**

Rabino and Moore (1989) conducted an exploratory study to "examine the extent to which new-product announcements emerge as part of the formalized process in keeping with management's strategic objectives". The market for mainframe computers was thought to be eminently suitable to investigate the subject. In-depth
Interviews were conducted with:

- consultants from International Data Corporation, the Gartner Group and Yankee Group, three leading 'industry watchers', and
- executives from IBM and Digital Equipment Corporation.

Interviewees were asked to describe announcements for the introduction of mainframes for the industry in general and, as appropriate, for their company in particular.

The key findings of the study are:

- The formal announcement of a new-product introduction is not an isolated communication, but rather, the culmination of a multifaceted process, comprising informal as well as formal components, coordinated and formalized under the management of corporate executives.

- The nature and length of the announcement process is determined by product-related variables and may vary not only from company to company, but from product to product within a single company. For example, the sheer dollar value of a mainframe computer may require an extended announcement process in keeping with the need to provide an adequate planning window for the prospective customer, while the introduction of new personal computers can be announced much closer to planned delivery time.

- An announcement may be targeted to any of a number of different constituencies in keeping with specific strategic objectives. Information is disseminated internally to technical personnel and to marketing and sales staff to clarify their respective roles in the new-product introduction process and to orient them to the product's strategic position with regard to overall organizational goals. External announcements are directed at customers, consultants, the financial community, shareholders, competitors and the general public.

- The precise content of an announcement, as well as the medium and timing of its communication, is determined in keeping with the target audience. Targeting the right message to the right audience can become an extremely complicated task, particularly for multiproduct companies. Rabino and Moore (1989) mention the example of IBM, which in June 1986 had to coordinate the myriad details of announcing 125 new products simultaneously.
4. THE INTERNATIONAL COMPARATIVE STUDY

The exploratory study by Rabino and Moore (1989) serves as a starting point for the present international comparative study. The study focusses on new-product announcement practices of (mostly large) firms in the electronics, computer and telecommunication industries. The countries and firms at present participating in the study include:

- The United States: approximately 60 firms from California and the East Coast. A few of the companies are very large and the rest are split between $50-100 million in sales and under $50 million. The companies are drawn from the computer and telecommunication industries.
- Italy: Olivetti and a number of other smaller firms,
- The Netherlands: Philips, Alcatel and a number of smaller firms (exploratory sample).

Research partners are still being sought in countries like France and Germany.

In each firm several marketing executives will be interviewed about the new-product announcement process and its place relative to the NPD process. A detailed questionnaire covers:

- general information about the company, its products and annual sales;
- the formal new-product announcement process
  (does the company have a formal new-product announcement process, what defines it as a formal process, what features are present in new-product announcements, who is in charge, when are announcements made, what is the role played by distributors);
- the informal new-product announcement process
  (what policy is followed as regards non-disclosure, how important are industry watchers, do beta test sites play an important role);
- the strategic implications of new-product announcements
  (how important are new-product announcements with respect to corporate strategy, which factors influence new-product announcements, which media are important);
- the interviewee’s perception of competitor’s new-product announcements
  (who are the major competitors, what are their competitive practices, can any
trends be observed as regards the new-product announcement process).

This questionnaire will be used to gain some initial understanding. In addition, two types of products will be looked at in greater detail: (1) a product that is a modest improvement compared to a previous model (evolutionary change) and (2) a truly innovative product representing a major change for the company in terms of the kind of products it has been launching to date (revolutionary change). These two cases will be studied through in-depth interviews with the managers most closely involved with the new-product introduction process. To assess the role of the announcement process within the context of the NPD process, it may be necessary to interview other (R&D) functionaries as well. Finally, the questionnaire will be mailed to a larger sample of firms in the electronics, computer, and telecommunication industries to get additional information.

**Suggestions for future research**

While the international comparative study is just starting to gain momentum, a number of suggestions for additional future research can already be discerned:

- expanding the population to be included in the study: i.e. looking at the role of new-product announcements in other industries/product categories;
- expanding to other areas of the economy: e.g. by looking at the role of new-product announcements in the development and introduction of financial services (in the Netherlands, the necessary contacts have already been made);
- expanding the nature of the organizations interviewed: e.g. using a dyadic approach by interviewing adopters of the new product as well (thus, more closely linking the study with the IMP-tradition).

Key questions include (1) what is the nature of the new-product announcement process, (2) what is its position in the context of the NPD process, (3) which persons/departments are involved internally, (4) which external parties are targeted with selected information, (5) what role is played by existing and prospective customers, (6) what are the objectives of new-product announcements, (7) what differences exist between product categories, industries, products and services, and small and large firms?

These questions will be approached by focusing on the way manufacturers link into existing networks to achieve successful new-product introductions. This qualitative
investigation may be followed by a large-scale quantitative study covering a large number of firms, products and industries. Thus the results of the national study will provide additional insight into the new-product announcement process and contribute to effective new-product launch efforts.

5. CONCLUSION

While many people have investigated new-product development processes from various angles, the relevance of new-product announcements has generally been overlooked. The present study intends to remedy this situation by investigating in great detail a limited number of cases. The knowledge thus gained may help managers in enhancing the effectiveness of new-product development efforts by effectively linking into existing networks.

REFERENCES


