



Examining the Reasons behind the Successes and Failures of New Products: A Study of New Product Performances in Training Division of XYZ Management

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ABSTRACT

Objective – New product performance is very important for the survival of any company. This research uses the Grounded Theory Method (GTM) to determine the factors that are relevant to the success and failure of new products. The study focuses specifically on new products in the Training Division of XYZ management.

Methodology/Technique – The data for this study was collected using the interview method with the total of 5 respondents, researcher's involvement per se and FGDs.

Findings – The coding process resulted in the creation of 4 groups comprised of the 3 main questions containing 20 factors relevant to new product failure. These factors were previously confirmed by a survey conducted among 26 NPD practitioners from various industries. This research identifies that the steps involved in the development of new products have not been optimally conducted in accordance with the new product development guidelines. The results of this study explain the role of telemarketers and sales managers which can change and affect the performance of a new product.

Novelty - The involvement of the researcher as a telemarketer highlights the importance of the role and need of a reliable technological system to support the performance of new products. The findings of this research provide a greater understanding of the factors that contribute to product failure, namely a lack of a specific strategy for new products, less aggressive sales techniques and the shifting role of telemarketers and sales managers.

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1. Introduction

Previous studies related to New Product Management define Product Development as a new product process composed of 5 or more steps, beginning with the need to conduct research to identify market opportunities and ending with the launch of a new product (Coopers, 1993; Crawford, 1994; Crawford & Benedetto, 2003).

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The Product Development Process in the food industry, which is highly competitive, requires that the final product be in accordance with customers' demands and expectations (Mialon & Murray, 2001). Thus, it becomes important to understand the eating habits, perceptions and preferences of consumers in order to achieve success in product innovation and decrease commercial risks when the product is launched. Therefore, sensory and consumer analysis are essential steps in the Product Development Process. Sensory analysis techniques have gone through advanced development and are an integral part of New Product Development (NPD), Quality Assurance (QA), and Quality Control (QC) conducted by successful global food companies (Mialon & Murray, 2001).

XYZ Management is an organization which conducts public training in Management. XYZ Management has recently launched new products within its Training Division; currently as many as 106 products need to be sold. Figure 1 below shows the trend of new product participants launched by the Training Division between 2016 and 2018. It shows that the pattern on new products is already inconsistent. For example, RT has already changed from 2 to 3 classes and CJA has continued to increase since the end of 2018. However, there are also new products that have already experienced an immediate decrease, such as BBE, SMU and CRP.

Figure 1. Trends among new product participants between 2016 and 2018



Data on the decline of the new product participants is displayed more clearly in Figure 2 below.

Figure 2. Trends among new product participants in the 1st and 2nd semester of 2018



Figure 2 shows that only 8 of the 23 types of new products were sold (34.7%), signifying a number of participants in the first semester. In the second semester, however, only 12 of 23 (52%) types of new products manage to sell. The decline in the number of new product participants concerns the Learning Management Department, given the underperforming additional income from the sales of new products.

During early discussions at the study exploration stage in November 2018, it is found that sales managers and telemarketers play integral roles in selling new products. This study reveals issues surrounding the reduction of customer services staff, the shifting role of telemarketers into client contract administrators and the shift of sales managers to the role of collectors.

Based on this background, this research addresses the following questions:

1. Why did new products produced by the Training Division of XYZ Management succeed or fail?
2. Have the shifting roles of sales managers and telemarketers affected new product performance?

This research is expected to provide insights to the Training Division of XYZ Management to market their new products more successfully.

2. Literature Review

2.1. New Product Definition and The Stage-Gate System

The term ‘new product’ can be defined widely as new-to-the world, new product lines, additions to existing product lines, improvements and revisions to existing product lines, repositioning, or cost reductions (Crawford, & Benedetto, 2008). Cooper (1993) explains The Stage-Gate System which is a conceptual and operational model for moving a new-product project from the initial concept idea to product launch. This Stage-Gate System is a blueprint for managing product innovation to improve effectiveness and efficiency. Stage-Gate is elegantly simple, involving a series of information gathering stages followed by decision-making gates (Cooper, 2011). Research by Edgett, Shipley and Forbes (1992) in Japanese and British Companies explains that 44% and 30.2% of new product ideas are internally generated.

2.2. New Product Performance

According to Dictionary of Marketing Terms, Bennet (1995) defines product performance tracking as, “a process for tracking the performance of a commercialized product in the market.” Furthermore, the specific factors measured in product performance are sales, share of the market, consumer awareness, advertising effectiveness, and customer satisfaction. New Product Performance is defined in the literature by several widely used categories of measures. Three broad categories capture the measures of new product performance: financial objectives (profit, sales, payback period, cost), market share objectives and technical objectives (Weiss-Montoya & Calantone 1994).

In support of the above statement, P. T. Sari Roti, Marketing Manager, also states that, “...in Sari Roti, the measurement of successful product performance is the unit volume achieved, market share, and profitability...”. The same measurement is also acknowledged by the marketing manager of P. T. Sinar Mas, “...the benchmark of product performance for me is sales volume, market share, and profitability...” (Kurnia, 2008).

2.3. Management and the Process of New Product Development

The steps involved in the process of new product development, as stated by Huang, Soutar and Brown (2002) citing Cooper (1993), are: idea generation, initial screening, preliminary market analysis, preliminary technical analysis, preliminary production analysis, preliminary financial analysis, market study, product development, in-house product testing, consumer product testing, market testing, pre-commercialization financial analysis and commercialization. The product development process is a multi-stage and multi-disciplinary process (Cooper, 1996). This activity is referred to as a step of the cycle of New Product Development (Millson, et. al., 1992).

The process of product development in the food industry, which is highly competitive, requires that the final product be in accordance with customers’ demands and expectations (Mialon & Murray, 2001). Thus, it becomes important to understand the eating habits, perceptions, and preferences of consumers in order to achieve success in product innovation and to decrease commercial risk when the product is launched. Therefore, sensory analysis and consumer analysis are essential steps during the process of product development. Sensory analysis techniques have gone through advanced development and are an integral part of New Product Development (NPD), Quality Assurance (QA), and Quality Control (QC) conducted by successful global food companies (Mialon & Murray, 2001).

Further, the reasons for delay in product development are bad product requirements, technology uncertainty, lack of management support, lack of resources, and poor project management (Gupta & Wilemon, 1990). To overcome those issues, this research suggests that senior management needs to be active and visible, functional groups (R&D, marketing, engineering, and manufacturing) must be involved in the beginning, there must be a suitable work style (e.g., more creative and open, respond quickly to problems, develop sensitivity to urgent matters), early market testing, and a more effective organization of new products.

2.4. Why New Products Win

Cooper (2011) identified the 7 critical success drivers on why new products win. These include:

1. A unique superior product which deliver unique benefits and compelling value proposition to the customer or user
2. Building in the voice of the customer-a market driven and customer-focused new-product process
3. Doing the homework and front-end loading the project
4. Getting sharp and early product and project definition

5. Spiral development-build, test, get feedback, and revise from customer
6. A well-conceived, properly executed launch is central to new-product success
7. Speed counts!

There are many good ways to accelerate development projects, but not at the expense of quality of execution. Research by Mishra, Kim and Lee (1996) on 144 firms in Korea which was conducted in Canada and China shows the impact of intelligence acquired about the marketplace on new product success. By knowing and understanding customer needs, wants, and specifications for new product, as well as customer price sensitivity, competitor-products, strategies, buyer behaviour, market size, product technology, product design, production costs and production process-equipment, manufacturers of new products were more successful in marketing and selling their products. It is also important that manufacturers view their new products as high risk and are confident that their product will succeed in the marketplace.

2.5. New Product Failure

Edgett, Shipley and Forbes (1992) identified the factors contributing to new products failure in Japanese and British companies. They include: failure to understand customer needs, exceeding cost expectations, insufficient pre-launch development, lack of differential advantage, weak distributor cooperation, inadequate marketing research, aggressive competitors, unexpected changes in demand, bad planning or timing, poor interdepartmental communication, faulty products, over-enthusiasm leading to low objectivity, poor market communication, poor match with company objective and image, product orientation and inadequate marketing mix.

2.5. Telemarketer Definition and Function

Moncrief, Shipp, Lamb and Cravens (1989) define telemarketing as follows: “the term telemarketing refers to a systematic and continuous program of communicating with customers and prospects via telephone and/or other person-to-person electronic media.” It is further stated that a telemarketer can also conduct face-to-face contact with customers. On the other hand, telemarketers may only act as support personnel, or even a combination of both within the marketing division of a company. If telemarketing only functions as support, then telemarketers can only conduct face-to-face contact with selected customers/buyers. Their telemarketing activities consist only of taking orders, handling complaints, responding to customer needs, checking prices and schedules, and handling re-orders by customers. Those tasks will be different if telemarketers are also required to handle sales as well as support customers. In short, telemarketing is involved in routine sales.

3. Research Methodology

This study is conducted using the GTM (Grounded Theory Method). Fendt and Sachs (2008) state that GTM was developed by Barney Glaser and Anselm Strauss 40 years ago and is a qualitative method that induces general theories. Furthermore, “Theory is said to lay grounded in the data from the field and to emerge by constantly comparing, fractioning, coding and analyzing observational and interview data until saturation is reached.” Charmaz (1996) states that the GTM is a logically consistent set of data collection and analytic procedures aimed at developing theories. The GTM provides systematic procedures for shaping and handling affluent qualitative materials, although they also apply to quantitative data.

This researched collected data by conducting face-to-face interviews with 20-30 minutes’ duration. The interview was recorded and verbatim transcribed. The researcher acted as a telemarketer and the interviews were carried out in one full day. A Focus Group Discussion (FGD) was held with 5 of the respondents and took 1 hour. Secondary data, the results of new product sales in the last 3 years, was obtained from the sales managers in the Training Division of XYZ Management. The data was collected from December 2018 to

January 2019 through interviews with 5 respondents, pursued by FGDs. Afterwards, the collected data was verbatim transcribed and coded. The coding results were combined with theories in the analyzing process. After the results were obtained, the researcher presented the findings to the Training Division and Top Management of XYZ Management in March 2019. After conducting the exploration study, the researcher decided to choose 5 types of respondents: Heads of the Division, Sales Managers, Telemarketers, Registration Staff of the Training Division and Head of Human Resource Department. The interviews took between 20 to 30 minutes per respondent.

4. Results

4.1. Interview Results

The researcher created coding from the results of the interviews which can be used to analyse the data to answer the following 3 questions:

1. Why do new products either succeed or fail?
2. What is the New Product Development Process in the Training Division?
3. What is the process of new product sales?

4.2. Results of Focus Group Discussions (FGD)

The process was continued with FGD aiming to obtain some insights into the answers to similar questions. The researcher also developed a coding system for the respondents to use when answering 3 (developed to be 4) main questions. Furthermore, the researcher made a group of answers to the questions, in accordance with the coding results. The results of the interviews and FGD are shown below.

- The first question:

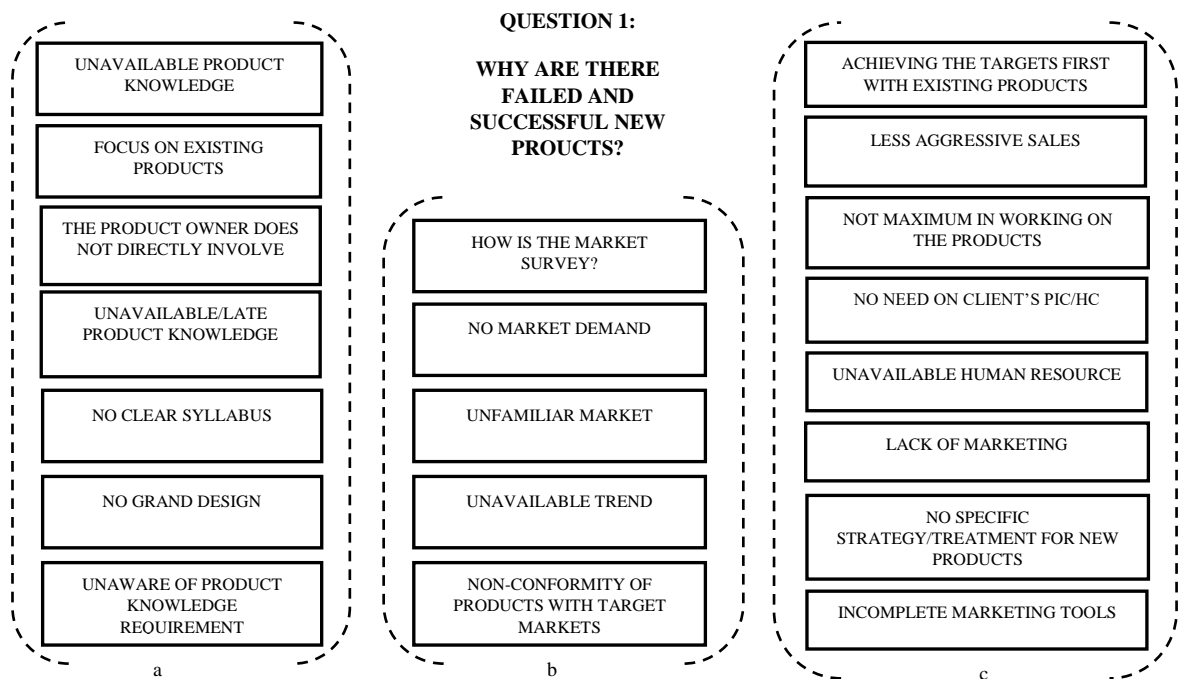


Figure 3. The result of grouping respondents' answers to the first question

- The second and the third questions:

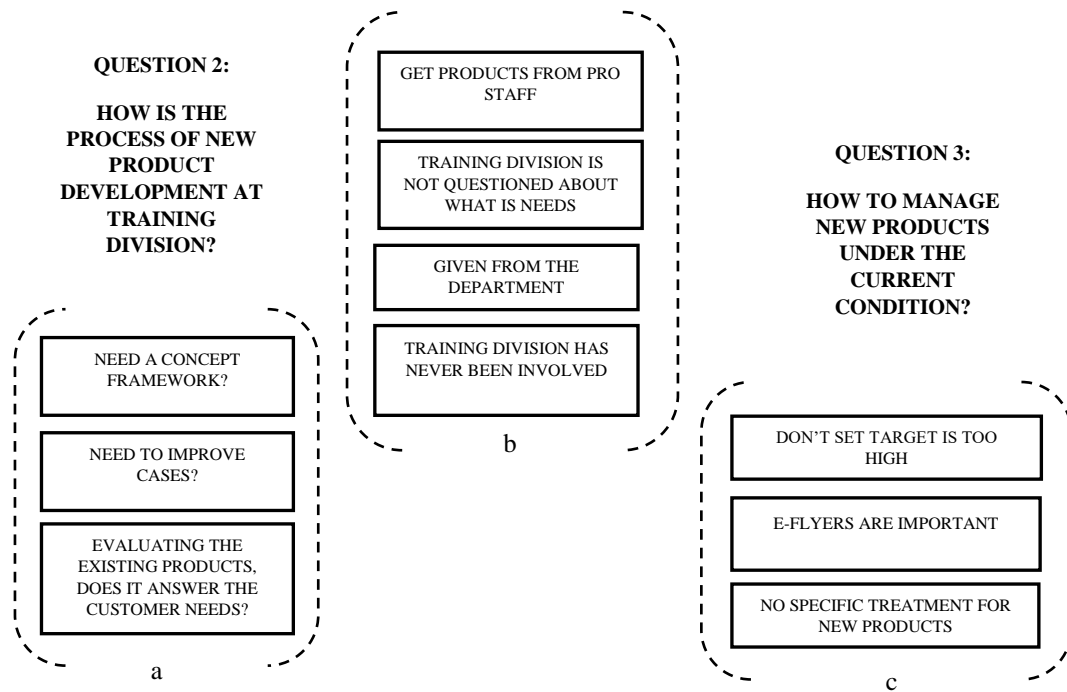


Figure 4. The result of grouping respondents' answers to the second and the third questions

- The fourth question:

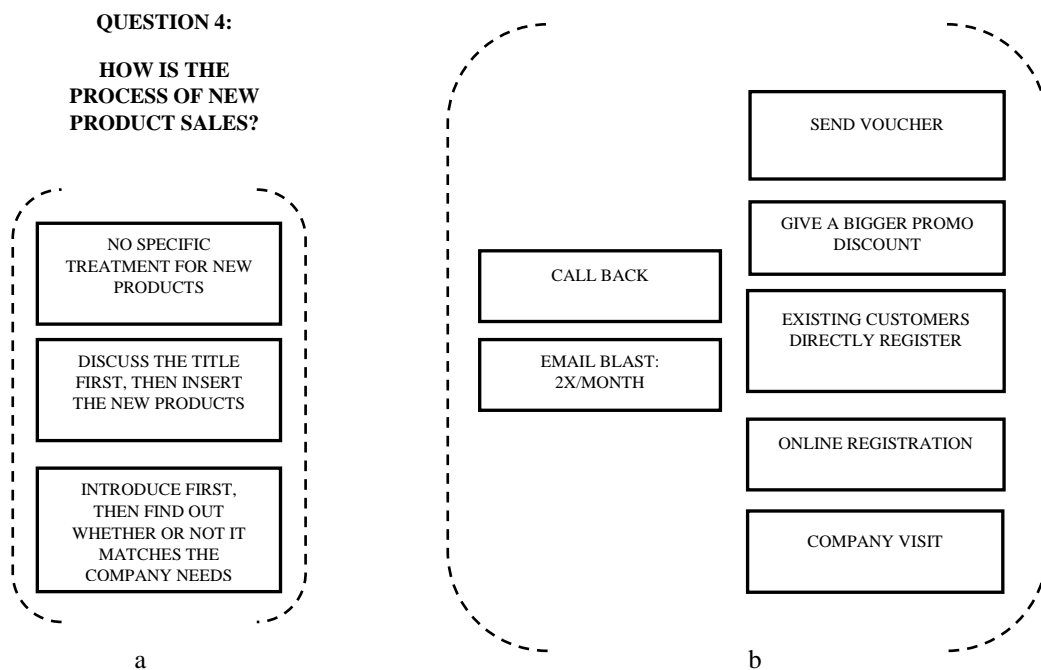


Figure 5. The result of grouping respondents' answers to the fourth question

4.3. The Results of the Researcher’s Observations

The researcher had a chance to act as a telemarketer in one full day. The following observations were made:

1. Telemarketers need to be equipped with product knowledge because while making contact with target customers, the customers asked various things which are not always explained in the syllabus.
2. The telemarketing system in XYZ Management is still conventional and is unable to group customers into potential and non-potential. It needs to be done manually.

4.4. The Result of Quantitative Research

The researcher completed the results of the GTM study with a survey and the cause of the results were confirmed in accordance with the method adopted by Charmaz (1996). The researcher identified 20 causes of new product failure from the results. In the end, there were 16 questions arising from 20 causes of new product failure which would be used in the quantitative research. Questionnaires were distributed to the practitioners of product development who are members of PDMA Indonesia in Academic Gathering and Member Gathering which was conducted on 20 February and 13 March 2019 with approximately 50 participants. The researcher collected 26 completed forms. The results of the questionnaires are shown below.

Table 1. Results of quantitative data processing

Questions	Results	Details
Sales target of new product is not achieved due to the lack of product knowledge given by product development division.....	5.30	Agree
Sales target of new product is not achieved due to delay in providing product knowledge	4.91	Agree
Sales target of new product is not achieved because sales division prioritized the selling of existing product....	5.09	Agree
Sales target of new product is not achieved due to unclear information about the products.....	5.39	Agree
Sales target of new product is not achieved due to the lack of design direction of the new product from the company (e.g, grand design)	5.61	Agree
Sales target of new product is not achieved because the market does not need it yet.....	4.30	Somewhat Agree
Sales target of new product is not achieved because the market is unaware.....	5.26	Agree
Sales target of new product is not achieved due to the lack of trend	4.22	Somewhat Agree
Sales target of new product is not achieved because the product is not in accordance with the target market.....	4.87	Somewhat Agree
Sales target of new product is not achieved because existing product is currently being prioritized.....	5.17	Agree
Sales target of new product is not achieved because sales division is not persistent.....	5.43	Agree
Sales target of new product is not achieved because sales division does not execute it optimally.....	5.48	Agree
Sales target of new product is not achieved due to the lack of human resource to sell it.....	5.04	Agree

Sales target of new product is not achieved due to the lack of specific strategy for new product.....	3.57	Somewhat Agree
Sales target of new product is not achieved due to unavailability of trend.....	4.30	Somewhat Agree
Sales target of new product is not achieved due to incomplete mkt tools	5.87	Strongly Agree

5. Discussion

In relation to the first question, it is observed by the researcher that there are products which succeed as well as ones that fail due to: (1) weak initial stages in product development, specifically the stage of idea generation and initial screening until the stage of product development (indicated by “a” in Figure 3), (2) the next steps after product development which are preliminary market analysis and market study are not carried out or are weak (indicated by “b” in Figure 3), and (3) weak preparation during pre-commercialization and commercialization (indicated by “c” in Figure 3). An explanation of these results based on the State Gate System (Coopers, 1993) is shown below.

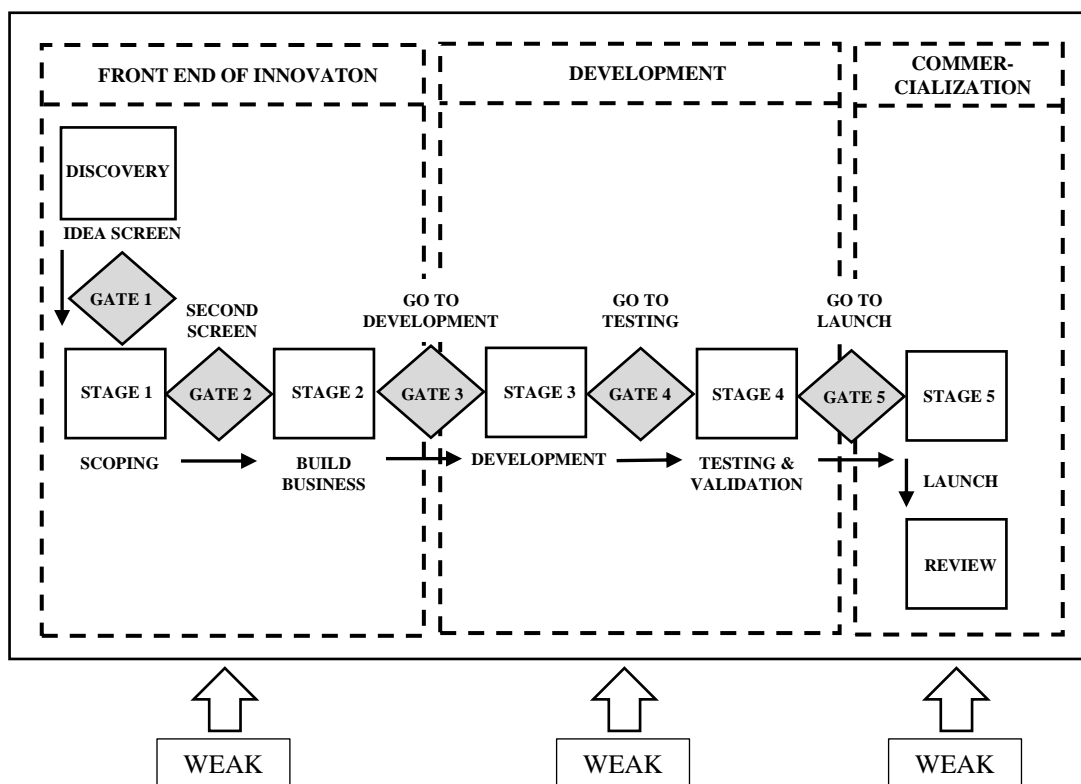


Figure 6. Analysis result of State Gate System – Coopers

The results of the analysis of the data (as shown in Figure 6) shows that the process of new product development in the Training Division is weak, from the idea generation stage until product launch. The 20 causes of new product failure were identified from the interview and FGD. The results show that most of the answers to the first question concerned factors leading to new product failure. The results of the first question show that failure of a new product is very critical and has an impact on their performance. The 20 causes identified also enrich factors contributing to new product failure (Edgett, Shipley & Forbes, 1992), particularly a lack of a specific strategy for new products. The quantitative results (Table 1) reinforce the study results which show that the 20 causes of new product failure are similar across different industries. The researcher’s observation in respect of the second question (as shown in Figure 4) clearly shows that there is a communication gap between the Learning Management Department (indicated by “a”) which processes as

well as produces new products and the Sales and Marketing Department within the Training Division (indicated by “b”). This shows that the Product Development Process (Cooper, 2011) is interrupted as illustrated below:

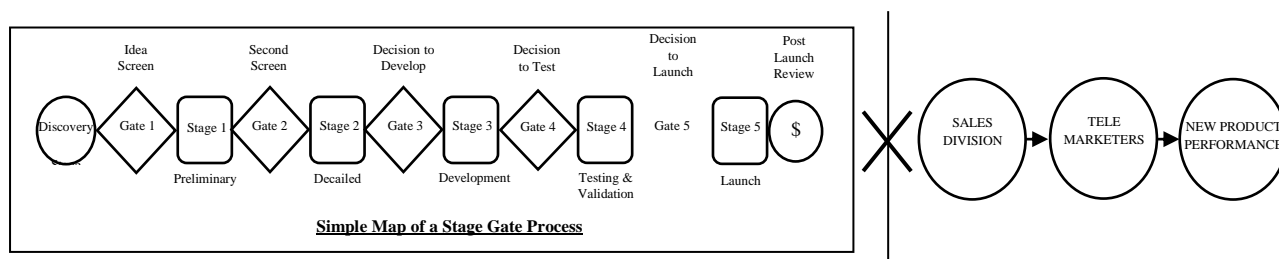


Figure 7. Gap illustration between product development process and sales-marketing department

The findings of Edgett, Shipley and Forbes (1992) state that poor interdepartmental communication contributes to new product failure. New product portfolio management is also not conducted properly. Figure 4 shows the lack of new product portfolio management (indicated by “c”). This is inconsistent with the findings of Anderson (2016) who states that product portfolio management is necessary in order to achieve success in new products.

The results of grouping the answers in Figure 5 shows how the Sales and Marketing Department within the Training Division does not have any strategy to market new products (indicated by “a”), and new products are not prioritized in the selling process. Cooper (2011) states that one of the 7 critical success drivers for new products is a well-conceived, properly executed launch. Marketing from the Training Division did not have a strategy for launching new products (Figure 3). Cooper (2018) also states that a quality launch is strongly linked to new product profitability, and effective after-sales service is central to the successful launch of a new product. The launch must be properly resourced in terms of both people and funds.

Meanwhile, the sales process is still carried out in a conventional way, depending on call backs and email blasts (indicated by “b” in Figure 5). The role of telemarketers is not in accordance with the statement of Moncrief, Shipp, Lamb, and Cravens (1989) who states that “The term telemarketing refers to a systematic and continuous program of communicating with customers and prospects via telephone and/or other person-to-person electronic media.” Further, a telemarketer also makes face-to-face contact with customers. The results of the researcher’s observations while acting as a telemarketer show that product knowledge is vital so that every question asked by the target market can be answered. Meanwhile, telemarketers in the training division also acts as administrators, as stated by R3 (respondent: telemarketer): “Yes, call from line application, because, here is the thing Ma’am, maybe if it is only two of us as telemarketing, we take everything and we cannot handle them. Because Ma’am, I do not only work on follow up calls but also making contract, offer, here and there. Ma’am, I send... voucher, training, due to benefit from sales contract. For example, by IDR 150 million purchase, they can get 6 million vouchers to be used in this training”. Sales managers who are supposed to focus on the sale of products, including new products, are therefore unable to achieve this objective optimally because they are also required to act as a collector. The results of this study demonstrate that telemarketers and sales managers both have an integral role in achieving expected product performance. The shifting roles and responsibilities between them affect new product performance.

6. Conclusion

The successes and failures of new products take part of the new product launch frequently experienced by industry practitioners, including the Training Service Industry. There are many factors leading to a success or

a failure of a new product; for example, the inability of the Marketing Team to understand the needs of the target market. Thus, the new product cannot fulfil the market needs. It can also be caused by poor planning and communication amongst the concerned parties during the preparation of the new product.

Companies having successfully launched new products are capable to create a product with a value proposition in accordance with the needs of the target market. In addition, they also have excellent planning and preparation before the new product is launched. Since the beginning of the process, the definition of the new product is already clear that it affects the final result as the new product is still at the development stage. To fulfil the needs of the target market, every step of the process should involve trustworthy customers during the ongoing process of the new product development. Good communication amongst functions also contributes to the success of the new product.

The role of a telemarketer also helps the success of a new product while the product is still at the stage of commercialization. A telemarketer provides information about the new product as well as handles complaints or helps with giving information related to the price of the product, in which they will frequently interact with the sales manager during the process. The sales manager will lead the Sales Department to achieve the sales target of the new product which has been agreed by the management.

The results of this research reinforce previous studies on the factors beyond the failures of a new product, that is the New Product Development Process were not conducted properly in accordance with the New Product Development Guidelines. The results of this research are also supported by quantitative results. The results of the qualitative and quantitative research conclude that from the beginning of the process to the final implementation of the newly developed product in the Training Service Division of XYZ Management have not yet been in accordance with the set rules involved in the New Product Development Process. There has been a communication gap between the department responsible for processing as well as producing new products and the department responsible for marketing and sales. In addition, the Product Portfolio Management has not yet been conducted, causing a negative impact on the performance of the new products. It worsened as there is a shift in the roles and responsibilities of telemarketers and sales managers as well. The shifting roles of telemarketer and sales manager contribute to the inability in achieving the sales target of the new products.

New products are different from existing products with consumers in the market and only need to carry out marketing strategies to maintain sales. Good preparation in the New Product Development Process supported by good communication amongst functions, along with great product portfolio management as well as constant supporting roles of sales enable success of the new product performance. The results of the study further strengthen the point in which the industry practitioners need to be better in preparing the new products which will be launched to the market. The steps at the preparation stage are adjusted to the product development stage from State Gate Coopers. It is also necessary to understand and conduct the cross-functional coordination and product portfolio management so that the process of new product can be better and generate profit for the company.

The answers from the respondents in this research are more focused on the causes of a failure of a new product. Therefore, further study can delve deeper into what causes the success of a new product in the Training Industry. In addition, the same research can be carried out in the Training Service Department that is similar to XYZ Management, thus obtaining a comparison in order to complement the existing results.

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