CHAPTER I

INTRODUCTION

In a rapidly changing environment, the survival of a company depends to a large extent on its capability to develop and market new or radically improved products. The continuous development and introduction of a new product become a vital factor for the desired and necessary growth of individual companies and the economy as a whole. As Peter Drucker stated so bluntly, it is a company's first and most important task to stay in business, and it cannot do so without a steady flow of new products (Cooper, 1994).

As we enter the twenty-first century, this new product war looms as the most important and critical war that companies have ever fought. Winning in this war is everything: it is vital to success, prosperity, and even survival of these organizations. Losing the war, or failing to take an active part in it, spells disaster (Harper, 1976).

According to Holt (1977), in a dynamic environment with technological advances occurring at an accelerating pace, rapidly changing need patterns, increasing inter-national competition and decreasing life cycle of products, the ability of a company to survive depends on its innovative power, on its capability to anticipate new user needs, recognise technological opportunities, develop, launch and market new or radically improved products.

New products are critical to long term success. They provide many firms with a long term, sustainable competitive advantage and keep current product portfolios competitive and healthy. Marketers are faced with increased challenges and pressures within their industry to remain a step ahead of their competition through technological innovativeness. New product development has become a necessary element in the planning process to maintain the industry's competitive parity. For this reason the marketplace is annually inundated with new products that leave no segment of the economy untouched (Thomas, 1993).

It has been estimated that some 6000 new food items are introduced each year and compete for the valuable space in supermarkets. As a result, supermarkets must drop items to make room for new food items that they wish to sell. This high turnover indicates a short product life span for most food items (Handy, 1986).

In a survey of 54 prominent companies concerning 366 innovations, 67 percent were considered successful, 23 percent were termed doubtful, and 10 percent proved to be outright failures. In evaluating these figures, only a very few product ideas ever reach the stage of market introduction that is at 1.7% (Table 1). The hard realities are that the great majority of new products never make it to market and those that do face a failure rate somewhere in the order of 24 to 45 percent (Scheuing, 1974).

A more recent investigation paints an even more dismal picture: For every 11 new product idea, 3 enter the development phase, 1.3 are launched, and only 1 is a commercial success in the marketplace (Copper, 1993). The bad news continues. An estimated 46 percent of all the resources allocated to product development and commercialization by U.S.

firms are spent on products that are cancelled or fail to yield an adequate financial return (Calantone and Cooper, 1981).

Table 1: Rate of Commercial Success

	New Product Ideas	Product Develop-ment Projects	New Products Introduced
	Success Percentages		
All industry groups	1.7%	14.5%	62.5%
Chemical	2	18	59
Consumer packaged goods	2	11	63
Electrical machinery	1	13	63
Metal fabricators	3	11	71
Nonelectrical machinery	2	21	59
Raw material processors	5	14	59

Source: Scheuing EE. (1974), New Product Management, New York: The Dryden Press, p.66.

New product activity is like any other business activity: it will not organise itself; it requires careful thinking and a lot of determination to put the thinking into practice. It is almost certainly harder to get a new product off the ground than to maintain an existing brand. Existing brands have a certain momentum: they have customers; the sales force is used to them; the trade knows what to expect from them (Keller and Aaker, 1992).

The development of new products is a lengthy and involved process, leading from the first vague hunch that there might be a problem or market opportunity, to an evaluation of the initial market success of a consequently developed problem solution or product concept.

The new products launch is a difficult and challenging undertaking. It is difficult because of its complexity that requires the close coordination and control of a multitude of vastly different tasks. It is also challenging because important decisions, often involving the very survival of the company must be made on the basis of very limited information and resources (Boscheck, 1995).

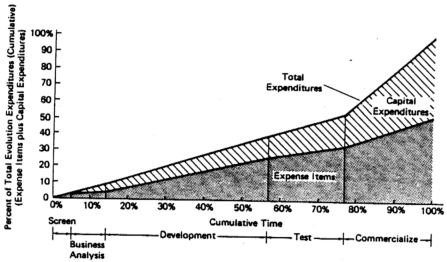
A company should be guided and limited in its development programme by its resources. New products initially generate major negative cash flows, so a company must plan to finance the new product programme out of the cash flow generated by existing products, and a stable base of established products is essential. Equally, where heavy capital investment is involved, the company must have sufficient resources available and be prepared for the possibility of writing off the investment in the event of failure.

The danger is of a new product launch generating its own unstoppable momentum. The resources required for new products are even higher during the later stage of development, especially the launch stage or commercialization (Figure 1). This supports the fact that the launch is an important activity. The higher resources needed means it is more difficult for a company to withdraw from this stage. This calls for more attention from any company that plans to launch a new product.

Fortunately, several factors have been identified that can improve the success rate of a company's new products. The two most important factors are fit of the new product with market needs and fit

of the product with internal functional strengths. Developing a technologically superior product, receiving support from top management, and using a multiple-step new product launch are additional factors (Lawton and Parasuraman, 1980).

Figure 1: Cumulative Expenditures in New Product Evolution



Source: Booz, Allen and Hamilton, New Product Management for the 1980's, New York: Booz, Allen and Hamilton, 1982, p. 233.

The new product launch is not only important to remain competitive in the firm's marketplace, it also seems to be important to financial markets - in determining the worth or value of the company as a long term investment.

Creating and marketing new products is an indispensable fact of contemporary management. It has become trite to comment that companies live in an age of rapid change, but it is this new found rapidity that makes new product along with product modification and improvement fundamental to continue profitability.

Objectives of the Study

An increasing number of companies, are looking to new products as a mean for survival and growth. A well-conceived, properly executed launch is central to new product success and a solid marketing plan is at the heart of the launch. The best products in the world will not sell themselves. A strong marketing effort with well-targeted launch is central to the success of the new product. With this in mind, the objectives of this study are as follows:

(a) To identify the key marketing activities of a new product launch in general and how these activities are inter-related in the context of a Japanese company: Kao Malaysia, for better understanding of marketing planning and activities for a new product launch.

(b) To look into the implementation of the marketing plan and activities of a new liquid laundry detergent by Kao Malaysia in a real setting for better understanding of implementation of marketing plan for a new product launch.

Significance of the Study

A marketing plan for a new product launch would be of special interest to anyone who manufactures and markets consumer products. Organization dealing with trading activities like distributors and agent plus retailers like supermarkets and wholesalers would also find this study useful. Besides organizations, managers and executives responsible for brand management or roles related to new product

development like production and R&D personnel, can also make use of this study.

Knowing the importance of new product launches will enhance and pull the commitment required from the organization to grow through a carefully organised planning process that meets the company's objectives. Understanding the activities and the roles need to be played by respective individuals involved will also promote coordination and communication among managers and executives involved in new product launch. This in return will ensure a higher probability of successful new product launch.

Organisation of the Report

The study is organised into five chapters. The first chapter introduces the importance of new product launch, the objectives and significance of the study.

The second chapter discusses both the theoretical concepts and studies on marketing plans for new product launches. The reviews of studies on general factors contribute to the success and failures of new product launches are also highlighted.

The third chapter describes the background information of the case study. The market situation of laundry detergent that covers market size, growth and share are presented. The laundry detergent consumers, which include the characteristics and behaviour, are also highlighted. The last part of this chapter presents the brief history or background of Kao Malaysia.

The fourth chapter discusses the implementation of the marketing plan for the launch of a new liquid laundry detergent by Kao Malaysia.

The fifth chapter concludes with a summary of the case study, implications of the study, limitations and recommendations for future study.