Huthwaite

Why Bad Things Happen to Good New Products

By Neil Rackham

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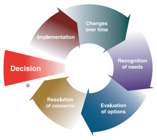
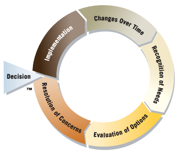




Why Bad Things Happen to Good New Products

It's an all too familiar story. A significant new product is about to be introduced. It's technologically innovative, it meets a clear market need and, best of all, it leapfrogs the competition. During the final development stages, top management becomes increasingly convinced that this could be the make-or-break product that comes along once in a generation. The whole company is geared for the launch. Feedback from test placements is phenomenal; initial reviews in the trade press are little short of ecstatic. With all the customary hoopla and hyperbole, the product is introduced to the sales force. During the next few weeks, everyone holds their breath waiting for reaction from customers. Salespeople report great initial enthusiasm from the marketplace and, with a sigh of relief, management begins to wonder whether the early sales projections that seemed so ambitious before the launch should now be revised upwards.

Then a curious thing happens. Customer enthusiasm evaporates. The expected sales don't materialize. Excuses give way to panic and the dark rumors begin. Maybe it isn't such a fine product after all; marketing hasn't positioned it properly or the sales force is incompetent. There are plenty of candidates to take the blame, but the fact is that nobody has a clue why a product with such great promise seems to be struggling for its life. What is going wrong?

The product itself often becomes the first target for retribution. But the fact is that some of the best products of our time have gone through exactly this rocky start. Take three examples of fine innovative products whose initial sales were so slow that corporate executives were convinced they had a major disaster on their hands:

- **Xerox 9200:** This was the first, and probably the most revolutionary, plain paper, high volume copier duplicator. In addition to producing copies twice as fast as its nearest competitor, it offered a dazzling array of bells and whistles such as limitless sorting. Extensive focus group studies had indicated a strong market need for such a product. Early indications from the initial launch showed high customer interest and the launch team had every reason to feel they had a winner on their hands. I recall visiting the initial launch in Dallas where euphoria was everywhere. Salespeople were bubbling with enthusiasm and groups of customers attending product demonstrations were full of praise. Trade press reviews calling the 9200 "the biggest breakthrough since Xerography itself" were pinned on every wall. Expectations were high, confidence was even higher. Three months later, it was a different story indeed. The expected orders weren't coming. Salespeople I talked to were subdued and seemed equally divided between blaming marketing for positioning the product to compete with offset printers and blaming the product for complexity and unnecessarily expensive features.

- **Honeywell TDC 2000:** The TDC 2000 was a major advance in distributed process control automation. It allowed unprecedented flexibility in the design and running of industrial processes just at a time when new methods and market demands were forcing industrial plants to become much more flexible. Its technology was good and its timing seemed perfect. Again, initial enthusiasm was high from customers and companies alike. And again, sales were agonizingly slow to materialize.

- **Kodak Blood Analyzer:** When Kodak used its color chemistry expertise to enter the medical market with a new technology for blood analysis, it appeared to have come up with a winner. But the all too familiar story repeated itself. The high initial enthusiasm from all parties rapidly gave way to disappointing early sales and general despondency.

These are not isolated examples, although they are a little unusual in that each had a happy ending and made a miraculous recovery from near death in the marketplace just at the point where their creators were ready to give them a decent burial. Others have been less lucky. Disappointing initial sales is an epidemic, and sometimes fatal, childhood disease in the life of many new products and services. There are a lot of deserving innovative products that don't survive into adolescence.

Some Possible Explanations

Why should promising products from highly respected companies fail despite clear evidence of market need, strong marketing support, and real enthusiasm and energy from salespeople? It's a question that has puzzled generations of product managers whose meteoric rise to corporate fame has been temporarily blocked by slow sales of their latest offerings. There's no shortage of opinions to account for slow sales but very little hard data to explain the cause. Two of the most commonly held hypotheses are:

Customer Resistance to Change

Most customers, so the argument goes, are intrinsically conservative and resist innovation. Apart from the few early adopters, whose enthusiasm for new products knows no bounds, the broad mass of customers sees innovation as risky and finds new unproven products less attractive than tried and tested alternatives. Consequently, any innovative product, particularly if it has a high technological component, will meet resistance and will sell slowly until it is perceived as safe by potential customers. How plausible is this explanation in the three examples we've quoted? Frankly, it just doesn't ring true. I was associated with each of these product introductions and my research team investigated elements of all three launches. We talked with more than 200 potential customers and we watched their discussions with salespeople. Few of the initial prospects for these products behaved like cautious customers timid in the face of innovation. On the contrary, the majority were welcoming of the innovative aspects of the products. Even more telling, their behavior was opposite that of classic resistant customers. A resistant buyer usually begins with a high level of skepticism and becomes progressively more accepting with repeated exposure to the product. That's not what was happening here. During initial exposure to the products, the majority of these customers expressed enthusiasm and acceptance. As the sales discussions progressed, however, this enthusiasm began to fade. It was the apparent initial acceptance of innovation that gave the product creators such hope for success and, when customer enthusiasm evaporated, made the sales results all the more disappointing. It became clear to us that we needed to look elsewhere for an explanation of what was wrong.

Sales Conservatism

A second, equally plausible argument suggests that salespeople are resistant to change and are unwilling to sell innovative products that lie outside their comfort zone. Had that been the case here, we would have predicted that:

1. A significant proportion of salespeople would be unenthusiastic about these new products.

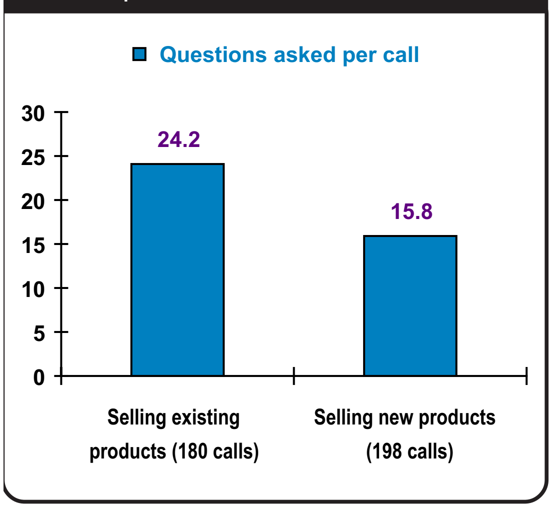
2. Those who had greater enthusiasm for the products would have better sales results than those whose enthusiasm was lower.

Neither of these predictions proved correct. Strangely enough, there was a slight negative correlation between salespeople's enthusiasm and sales results. That's a surprising enough finding to deserve repeating. We found that the salespeople with the best results showed less enthusiasm for the new products than those whose results were mediocre. Our first thought was that we had loaded our data backwards. Given the commonly held view that belief in the product is essential for effective sales—especially for a new product that doesn't have a track record to create its own belief from customers—we were taken aback. While at first we had no way to explain this strange finding, one thing was for sure: It didn't seem that the poor sales could be blamed on salespeople's resistance to new products.

An Alternative Explanation

From watching salespeople with their customers, we became convinced that there was another explanation for slow sales. We had developed a set of observation tools for measuring the behavior of salespeople during calls. Using these behavior analysis tools, we found that salespeople behaved in a fundamentally different, and less effective, way when selling new products. First, let's give an example of how behavior analysis observation worked in practice. Trained researchers watched actual calls and recorded how often the buyer or seller used certain behaviors. These observations were correlated with the outcome of the call to build a profile of how successful calls differed from those that failed. Researchers found that a strong positive correlation existed between the number of questions asked in sales calls and whether the calls succeeded. Product features, on the other hand, were negatively correlated with success—during failed calls, salespeople described more than twice as many features as they did during calls that succeeded. A full account of the methodology and the findings from studies of 116 behaviors in 35,000 sales calls can be found in the book *SPIN Selling* [1].

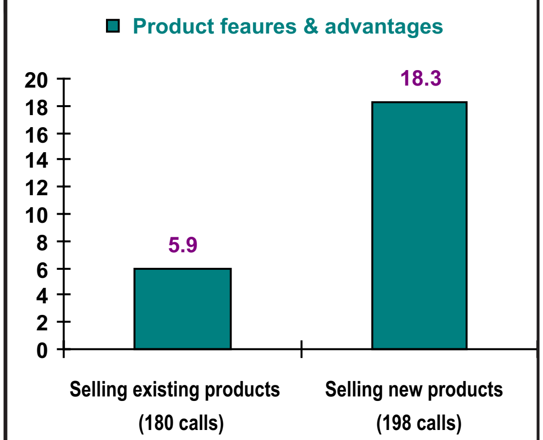
Figure 1: How questions decrease when selling new products. . .



Compositing the data from these three product launches, we counted the number of questions asked by salespeople during those calls where they were selling the new products compared with the number of questions they asked customers during calls when selling existing products. Questions are highly correlated with sales success, so calls with more questions would be statistically more likely to succeed. We had expected to find that the base rate of asking questions during the sale of the new products would be higher just because of the nature of the sale. Each of these products was complex and required a higher than usual number of questions to understand the sophisticated customer problems that each product was designed to solve. We were surprised to find that the number of questions asked when selling the new products was almost 40 percent lower than the number asked with existing products (*see Figure 1*).

The average call length when selling the new products was slightly longer than for existing products, so if salespeople were not spending their time asking questions, what were they doing to occupy the call time? We found that they were spending the time talking about product capabilities (*see Figure 2*).

Figure 2: . . .and product details increase

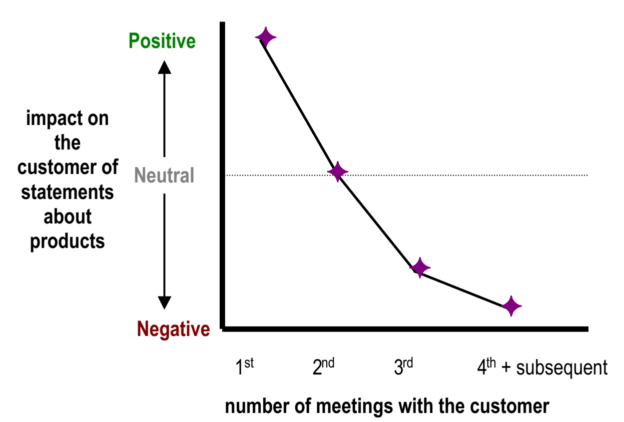


These results, which have since been replicated in studies of several other product launches, point to a fundamental problem in selling innovative products. The more innovative the product, (and the richer it is in bells and whistles), the more likely salespeople will sell it through features rather than through questions. In other words, a powerful new product is likely to make salespeople product-centered instead of customer-centered. There's overwhelming evidence (Rackham, 1987 [1]; Rackham, 1988 [2]; Rackham and Wilson, 1990 [3]) that sales calls having a high number of product features and a low number of questions are likely to be unsuccessful. What's more, the negative impact of giving product capabilities becomes greater as the selling cycle progresses. So, product capabilities can have a positive initial impact on the customer early in the sales cycle, but this rapidly falls off as the cycle continues (*see Figure 3*). During the first meeting with the customer, there is a positive correlation between the number of times salespeople describe product advantages and whether or not the customer agrees to a future meeting. The relationship is no longer positive by the second call on the customer. By the third call, the relationship has become negative, so that the more salespeople "pitch the product," the less likely the customer will be to take actions that move the sale forward. The relationship between product advantages and successful call outcome continues to be negative in the fourth and subsequent calls.

All three product launches in this case started with high customer enthusiasm that rapidly evaporated. This would be consistent with the increasingly negative impact of a product-centered approach wherein salespeople continue to "pitch the product." At least in the case of the three products quoted here, this provides a plausible initial explanation for the slow growth in sales.

Anecdotal Evidence

Figure 3: How "pitching the product" becomes less effective



There's another way to test the hypothesis that sales growth of new products is impeded by a product-centered approach. If it's true that salespeople who are product-focused are more likely to fail, then we would predict that successful salespeople would care less about their products and more about their customers. In turn, this would cause them to be less excited over the new products. As we saw earlier, we found that the salespeople with the best results showed less enthusiasm for the new products than those whose results were poor. This would be consistent with the hypothesis that product-focused enthusiasm damages early sales. Like many others who have experienced the launch of innovative products, we have a wealth of anecdotes to support this view. The most successful Xerox salesperson in the 9200 launch described the product as "only a big copier," while his less effective colleagues were using terms like "breakthrough" and "quantum leap." Clearly he wasn't going to let the product come between himself and the needs of his customers. One of Honeywell's most effective salespeople told us, "The TDC 2000 is a great product, but all that technology doesn't mean a thing unless it helps my customers run their processes better." Again, the salesperson didn't allow the new product to interfere with a customer focus. Similarly, at an American Express product launch we attended in Acapulco, there was a tremendous excitement among the sales force about a hot new product that was being introduced. Everyone was talking about the product except for a couple of the most experienced and successful salespeople. One of them told us, "It's just another product. When the fuss dies down I'll figure out which customers need it"—yet another example of how highly successful people never let new products distract them from the needs of customers. Unfortunately, most organizations have few salespeople with such fortitude. The majority of people selling are all too easily seduced by innovative products and they willingly fall into the "pitch the product" trap that almost killed the three fine products we researched.

Good News and Bad News

There is a crumb of comfort. Even product-obsessed salespeople become less enthusiastic when sales don't materialize and, ultimately, they will regain interest in customers. There's a pattern here. Many product managers have described how their launch went through a four-step process that sounds something like this:

1. We launched a great new product; press, customers and salespeople were all enthusiastic.
2. We expected great initial sales but they didn't happen.
3. We became disillusioned and began to lose faith in the product.
4. Inexplicably, just when we'd started to give up, sales began to improve.

Figure 4: The chain of communication for a new product

We've heard this so many times that it has become for us a generic description of the launch steps for any innovative product. When sales don't happen, the sales force loses their enthusiasm, all the new bells and whistles lose their luster, the product becomes just another product and attention swings back to customers. Salespeople stop talking and start asking. For the first time they develop customer needs for the product and sales consequently begin to climb. Management can't understand why the product should start to succeed at a point where the sales force is losing enthusiasm. Our evidence suggests that success comes *because* the sales force is losing enthusiasm.

In post-mortem sessions, people talk about the long learning curve for selling new products as though this painfully slow start is inevitable. As David Montanaro of NEC told us, "The secret is to have deep enough pockets to ride out the learning curve until your sales force finally gets up to speed. It usually takes longer than you think." For smaller companies, who may be betting their future on a single innovative product, the luxury of waiting for the sales force to learn isn't a realistic option. Even for larger and richer companies, especially those in fast-moving and competitive markets, precious competitive lead time can be frittered away while the sales force comes to terms with how to sell the product. There has to be a better way.

The good news is that neither the product focus, nor the long learning curve that results from it, is inevitable. It's relatively easy to bring about a dramatic acceleration in sales force learning and to achieve much faster early sales results. The remedy lies in a better understanding of the cause. Why should sales forces, heavily trained to sell through questions, suddenly abandon their training and inundate customers with product details? The reason is simple: Salespeople communicate product capabilities and details to customers because that's exactly how the product has been communicated to them. *Figure 4* illustrates the typical process used by most organizations for communicating a new product to their sales force and, through them, to their customers.

We Have Seen the Enemy and He Is Us

Most product launch events, with their associated collateral materials, focus exclusively on product capabilities. They explain how this product is different and better; they lovingly dwell on each new bell and whistle. The launch is designed to sound exciting. Some very smart people put long hours into preparing a great product pitch. So it's small wonder that the sales force is impressed and behaves in exactly the same way when they go out to talk with customers. How the product was communicated to them serves as their model when they communicate with their customers. The trouble is that customers have only a transitory interest in product capabilities. Unless the product solves a problem, or unless it meets a need, then there's no basis for a sale. It takes skillful selling, based on questioning, to uncover problems, to develop needs and link those needs to the new product. As we've seen from the way questions decrease and features increase when selling new products, salespeople often fail to develop adequate needs and the sales cycle flounders.

Product managers have only themselves to blame. The enemy, unfortunately, is us. I recall working with a major telecommunications company, helping develop better questioning skills in their salespeople. The fundamental message we gave salespeople—not at all unlike the message taught to most successful business-to-business sales forces—was to sell through questions. "Don't focus on product capabilities," we urged them. "Research shows that if you do, you'll lose sales." The following month, the company launched an innovative new product at its national sales meeting. I cringed in the audience as capability after capability was described and the launch manager gave just the kind of product pitch that we had been training her salespeople to avoid. We weren't surprised when initial sales were slower than expected.

A Better Mousetrap

There's a simple acid test of the proposition that the way products are launched is to blame for slow initial sales. If this is true, then by altering the way products are introduced to the sales force, we should be able to positively influence early sales. We had an opportunity to put this to a practical test. When the early results from Kodak's pilot region Blood Analyzer launch looked unpromising, we were invited to experiment with a different way of introducing the product. We took a group of 12 randomly chosen salespeople from the Mid-Atlantic Region who had not been exposed to the new product. We designed for them an alternative product launch that was very different from the capabilities-based launch that was used with the rest of the organization. Essentially, our launch consisted of the following steps:

- We told salespeople how the product solved different problems for various types of customers, such as doctors, clinicians, medical technicians and administrators. However, we did *not* describe the product's bells and whistles, warning that these product capabilities could easily get in the way of effective selling. To dramatize our point, we covered the demonstration analyzer with a tarpaulin so that the salespeople couldn't see it.

- We took each customer type and looked in detail at the work problems they were facing and how the new product could help solve or reduce each of these problems.

- We asked salespeople to identify which of their existing or potential customers had these problems that the product was designed to solve.

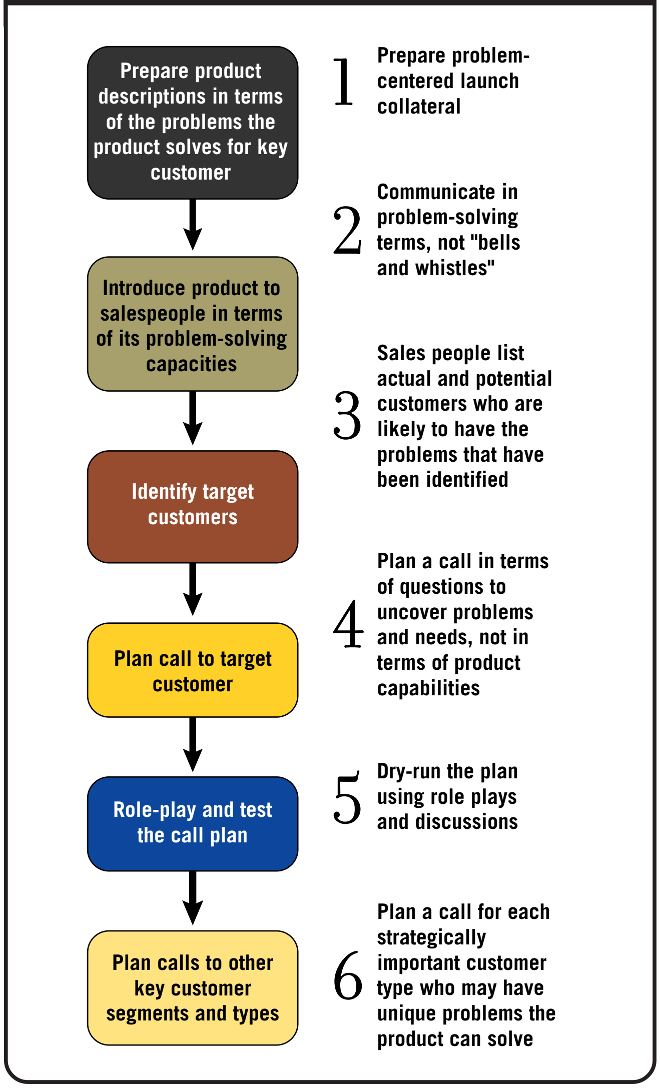
- Salespeople then listed the questions they could ask to discover whether these problems existed and how severely the problems were affecting that customer.

- Each salesperson then chose a customer whose problems were particularly severe and practiced role-playing a call on that customer. They were coached to sell using questions that developed problems and needs, avoiding discussion of the product's capabilities.

- Finally, each salesperson planned three customer calls for selling the new product. Each call plan was based on the questions that the salesperson intended to ask.

We hoped that by introducing the Blood Analyzer in this way, salespeople would be more effective in the early stages of the new product sales cycle. We tracked their progress for a year, comparing their performance with a control group chosen from the sales force who had gone through the standard "bells and whistles" product introduction. We found that the dollar sales volume generated by our new-style launch group was 54 percent higher than the control group. This was convincing enough evidence for us to create a template for introducing new products to a sales force (*see Figure 5*).

Figure 5: Template for introducing a new product to the sales force



Several companies have used this template to help them introduce innovative products to their sales forces. Canon used it to launch the CLC 300 color copier as an alternative to the usual capabilities-based introduction. Microsoft introduced Office to their sales force at a national sales meeting using a version of this template. During the meeting, everyone, including Bill Gates, planned sales calls to uncover corporate problems that the Office suite of products could solve. By the end of the meeting salespeople had planned and practiced more than 1,000 sales calls. Unfortunately, lack of control groups in each case made it impossible to measure the impact of this new method. Nobody wanted to be left out of the main launch just to provide us with validation. Although we can't show definitive results from these two examples, we believe there is a good case to be made that launching products using this method constitutes a proverbially better mousetrap. It communicates the product in a way that helps sell it and speeds the learning curve along in the process. As one of the Kodak people told us, "This is the first time I've come away from a product introduction with a clear idea of how I'm going to sell it."

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