



Institute for Market-Oriented Management

Competence in Research & Management

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IMU Research Insights

001

The Impact of Externally Directed and Internally Directed Market Launch Management on New Product Success

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BUSINESS SCHOOL

Relevance of Topic

High failure rates of new products
→ pivotal to understand which activities are most effective in supporting successful market launches

Investigated Industries

Innovative B2B and B2C companies mainly in Mechanical Engineering, Life Sciences, Food & Beverages, IT & Communications, Pharmaceuticals, Chemicals, Automobile, Software, and Consumer Electronics industries

Study Characteristics

Goal: understand the impact of externally and internally directed launch activities on market launch success

Method: 178 manager asked to recall a recent new product launch and to provide information regarding internal and external activities during market launch

Key Learnings

- Market launch success depends on **both** the intensity of externally directed market launch activities **and** the intensity of internally directed market launch activities.
- Targeting launch activities toward internal stakeholders strongly impacts the bottom-line by leveraging organizational efficiencies. This leverage also supports more rapid product acceptance and faster amortization.
- Preannouncing, launching with a broad assortment, penetration pricing, and branding are crucial externally oriented launch activities.
- Cooperations with channel partners, incentives for both managers and employees, and timely launch preparation are indispensable internally oriented launch activities.
- Different contexts (product newness, innovation drivers, and size of the launching firm) impact the effectiveness of launch management.

- Topic Relevance and Introduction

- Key Questions for Innovative Companies

- Study Characteristics + Main Study Descriptive Statistics

- Results

- Managerial Implications

- References and Further Reading

- Contact and Further Information

Importance of Successful Market Launch Management

Failure rates of new products remain high

(Gourville 2006; Sivadas/Dwyer 2000)

→ Successful market launch is the prerequisite for successful innovations

(Di Benedetto 1999; Hultink et al. 2000)

→ **For innovative companies in both B2B and B2C** it is pivotal to understand which types of activities are most effective in supporting successful market launches!

Externally Directed Market Launch Activities

Activities that are directed toward the customer, e.g. preannouncements, communication, distribution and price penetration
(Hultink et al. 2000; Lee/O'Connor 2003)

Majority of launch research addresses instruments that are externally directed.

Internally Directed Market Launch Activities

"Optimizing a supportive internal environment has proven to be crucially important for the success of our new products." *VP Marketing (OEM Manufacturer)*

The organizational perspective in the realm of market launch activities (as opposed to new product development) is surprisingly still underutilized.

Situational Factors Impacting the Relative Effectiveness of Market Launch Activities

Product newness, innovation drivers, and size of the launching firm should be considered when orchestrating launch activities. (Lee/O'Connor 2003; Parry/Song 1994; Chandy/Tellis 2000)

Key Question 1

What is the impact of the two types of market launch activities on market launch success?

Key Question 2

How do product newness, innovation drivers (market pull vs. technology push), and size of the launching firm affect the effectiveness of internal and external launch activities?

Pre-Study

Exploratory research: 15 interviews with managers involved in new product introductions in B2C and B2B industries

- to obtain insights into the state-of-practice
- to specify which activities are involved externally and internally when launching new products

Main Study

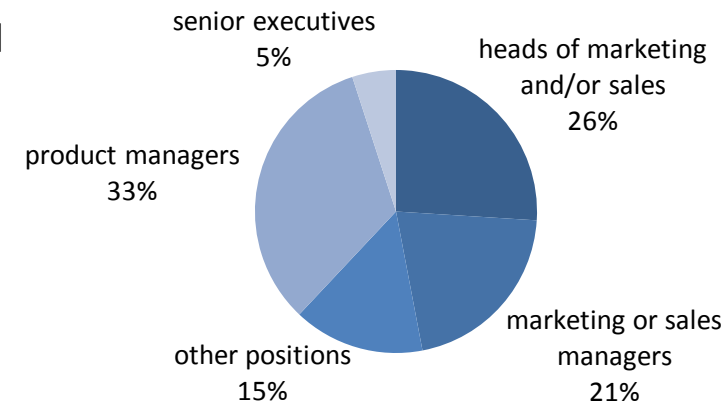
Goal: understand the impact of externally and internally directed launch activities on market launch success

Data collection:

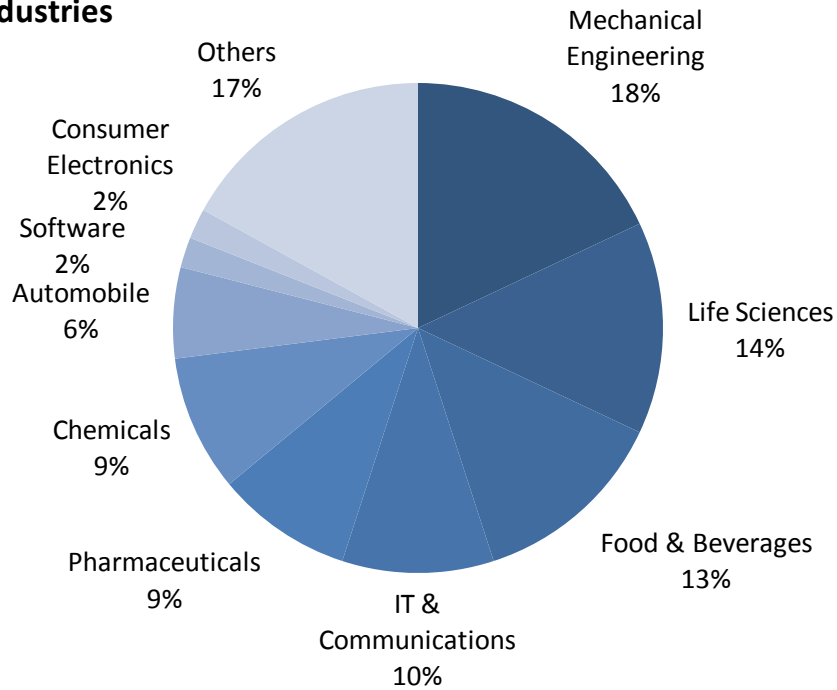
- manager survey in D-A-CH region
- respondents were asked to recall a recent new product and provide information regarding internal and external activities during market launch

Sample size:

- 178 managers from different hierarchical levels (see pie-chart)

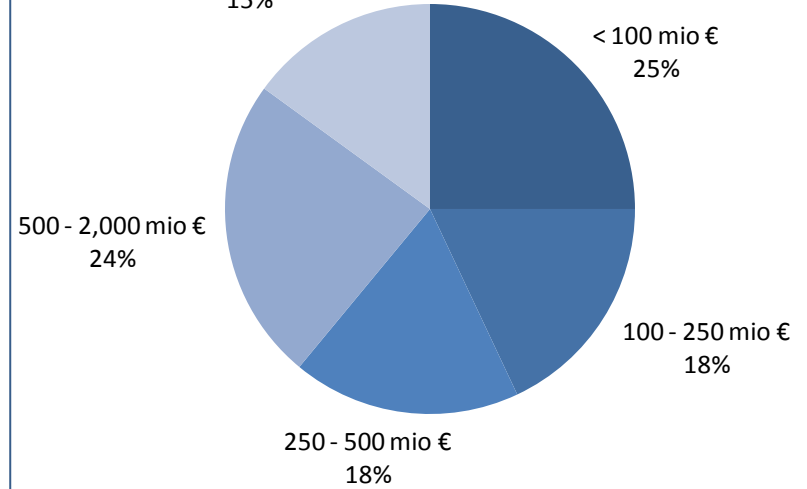


Industries

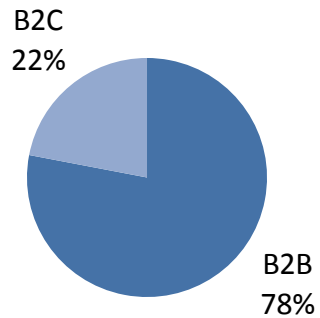


> 2.000 mio €
15%

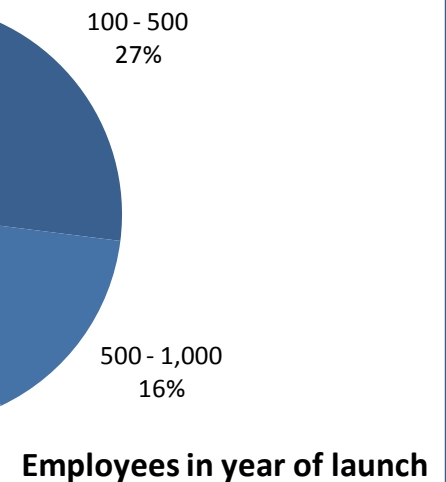
Sales in year of launch



Sector



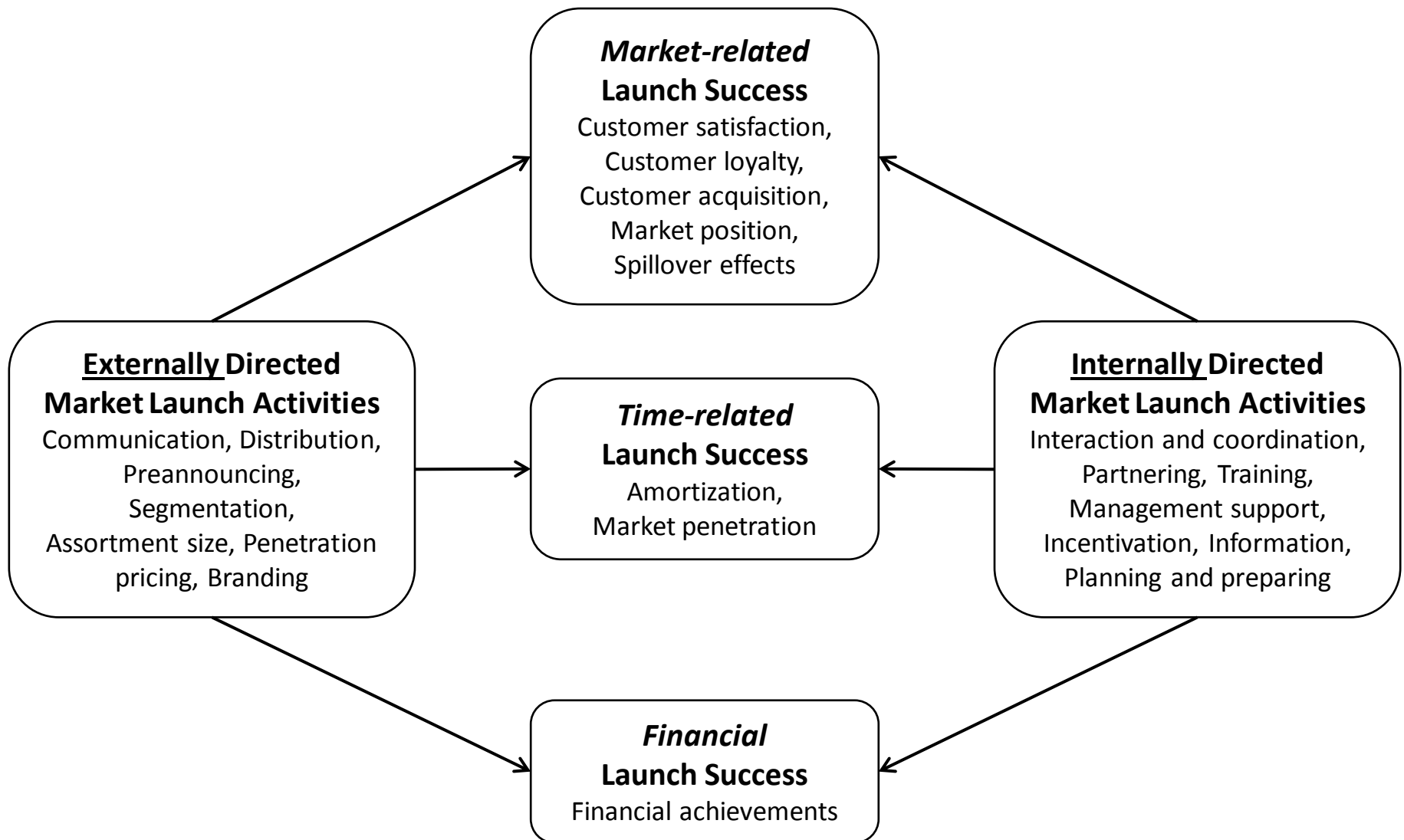
> 5,000
20%



Employees in year of launch

Key Question 1

What is the impact of the two types of market launch activities on market launch success?



All items measured by 7-point Likert scales, with 7 indicating total agreement.

**Internally
Directed Market
Launch
Activities**

We maintained several cooperations with channel partners during the market launch.

4.551

Our employees received incentives for their market launch support.

4.341

Our managers received incentives for their market launch support.

4.166

We began with planning and preparing the market launch very early.

3.486

**Externally
Directed Market
Launch
Activities**

Our product was launched with a broad assortment.

5.352

We introduced the new product at a penetration price.

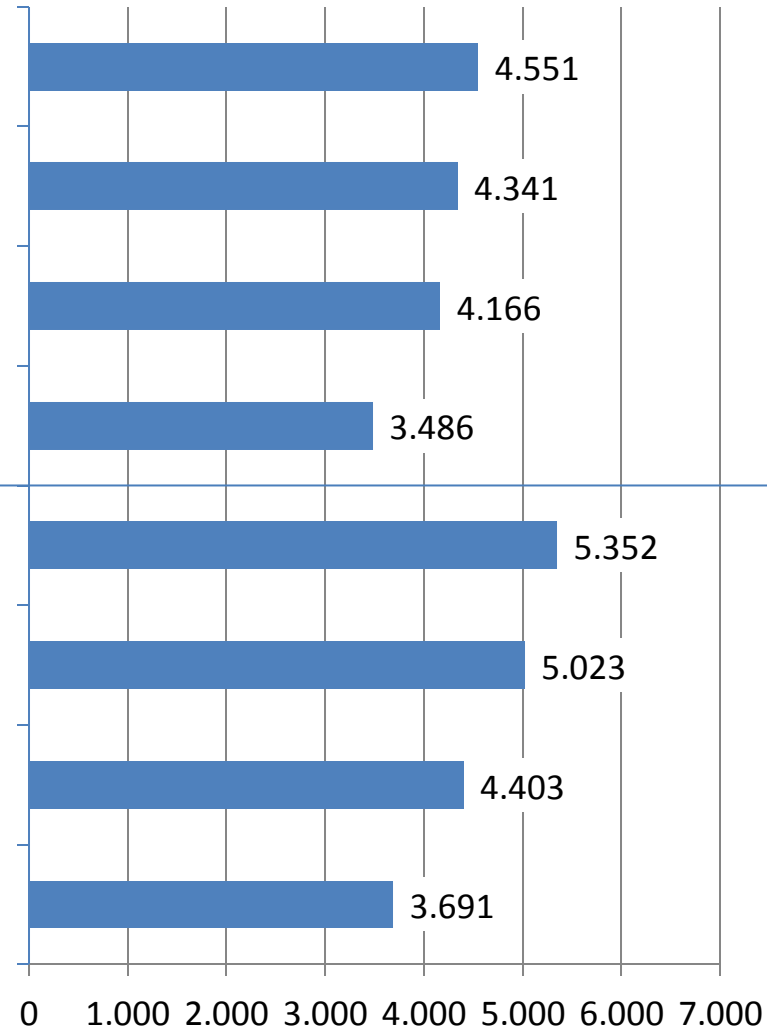
5.023

The new product was launched with a well-known brand name.

4.403

We intensely preannounced the new product before market introduction.

3.691



Answer to Key Question 1

What is the impact of the two types of market launch activities on market launch success?

	<i>Market-related</i> launch success	<i>Time-related</i> launch success	<i>Financial</i> launch success
<u>Externally</u> directed market launch activities	Very strong impact	Strong impact	Strong impact
<u>Internally</u> directed market launch activities	Slight impact*	Very strong impact	Very strong impact

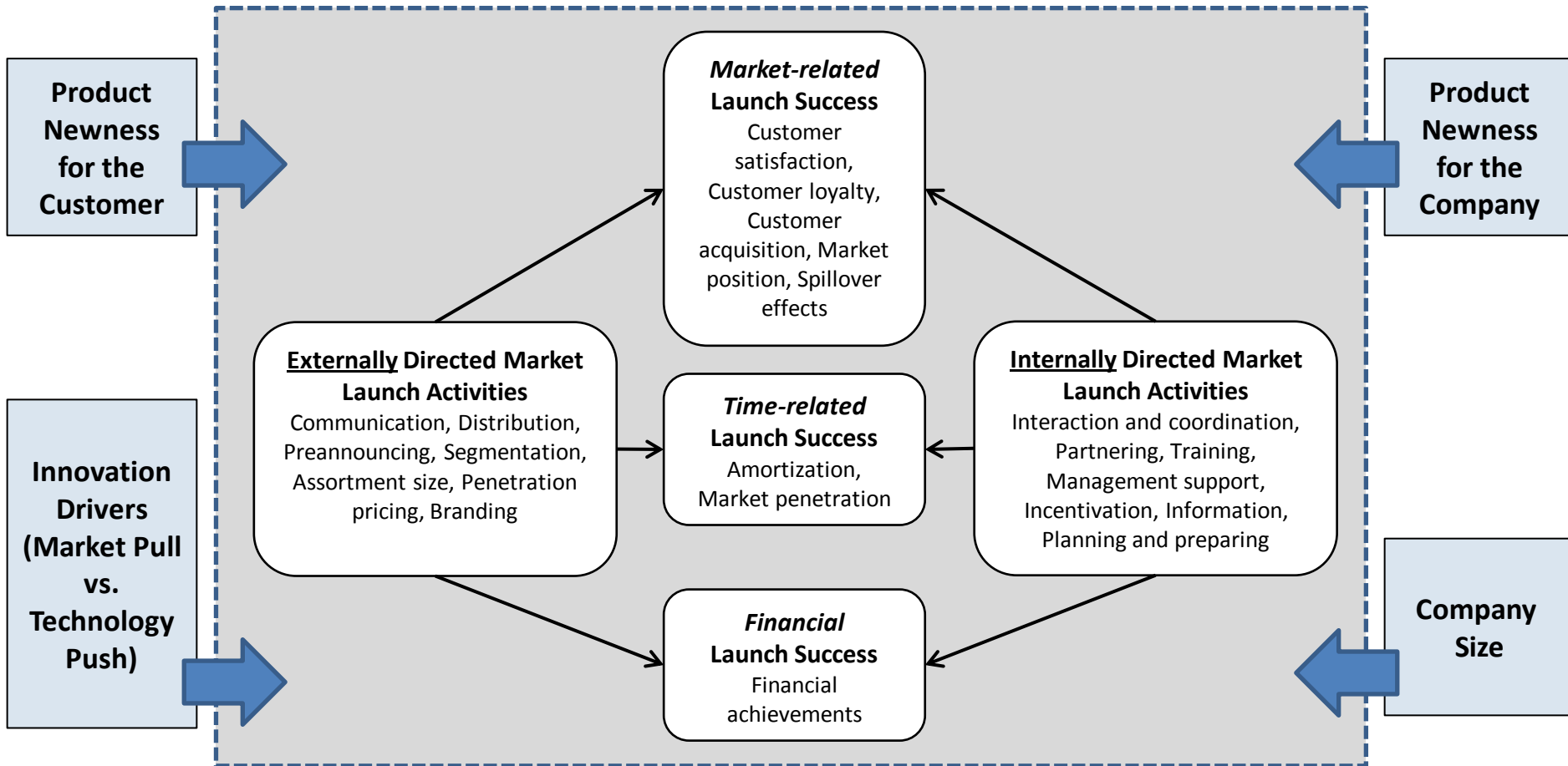
*) non significant

Activities that are externally directed have a large impact on *market-related*, *time-related*, and *financial* market launch success.

BUT: Also internally directed market launch activities very strongly impact *time-related* success and *financial* launch success.

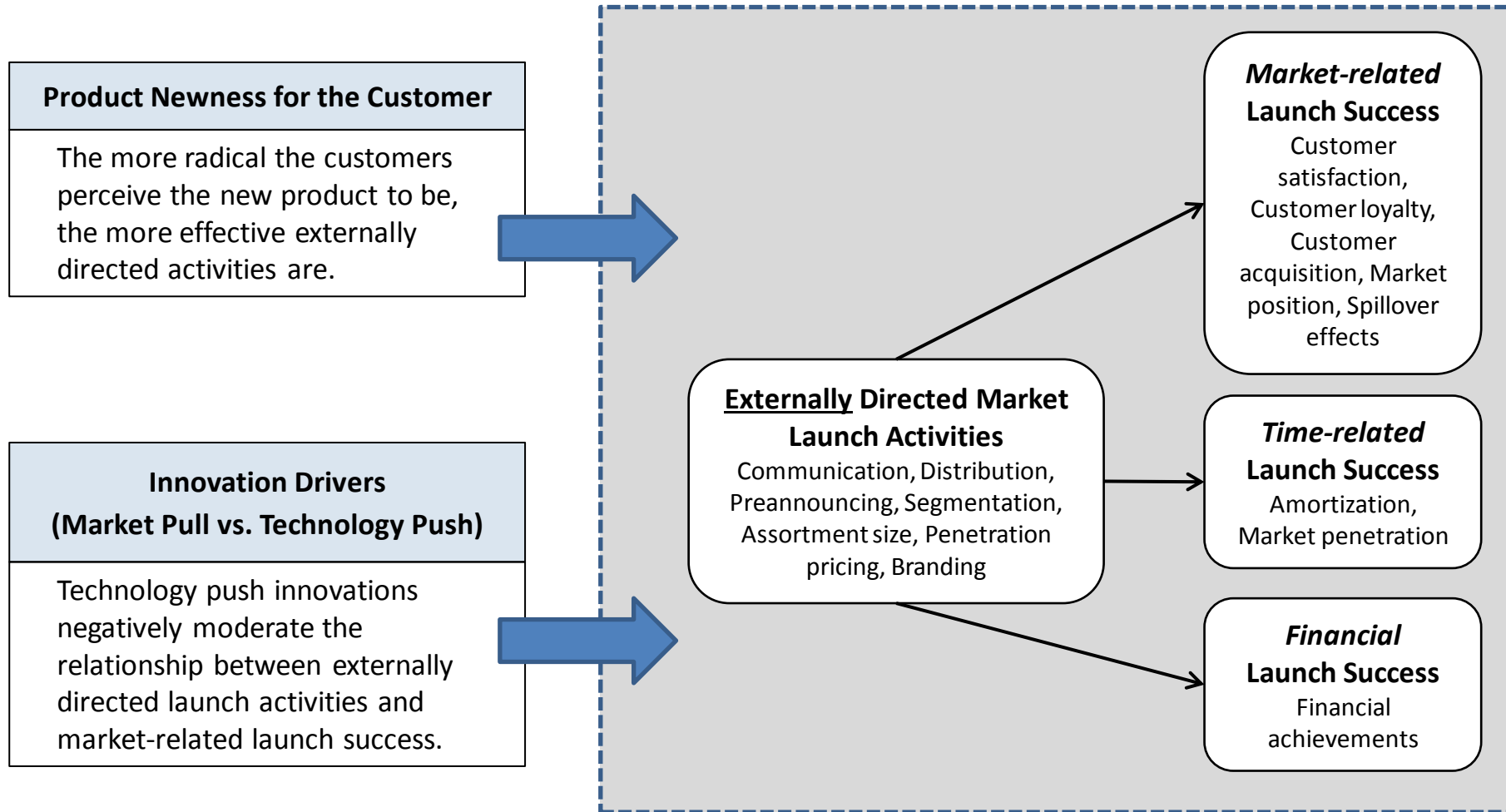
Key Question 2

How do product newness, innovation drivers, and size of the launching firm affect the effectiveness of internal and external launch activities?



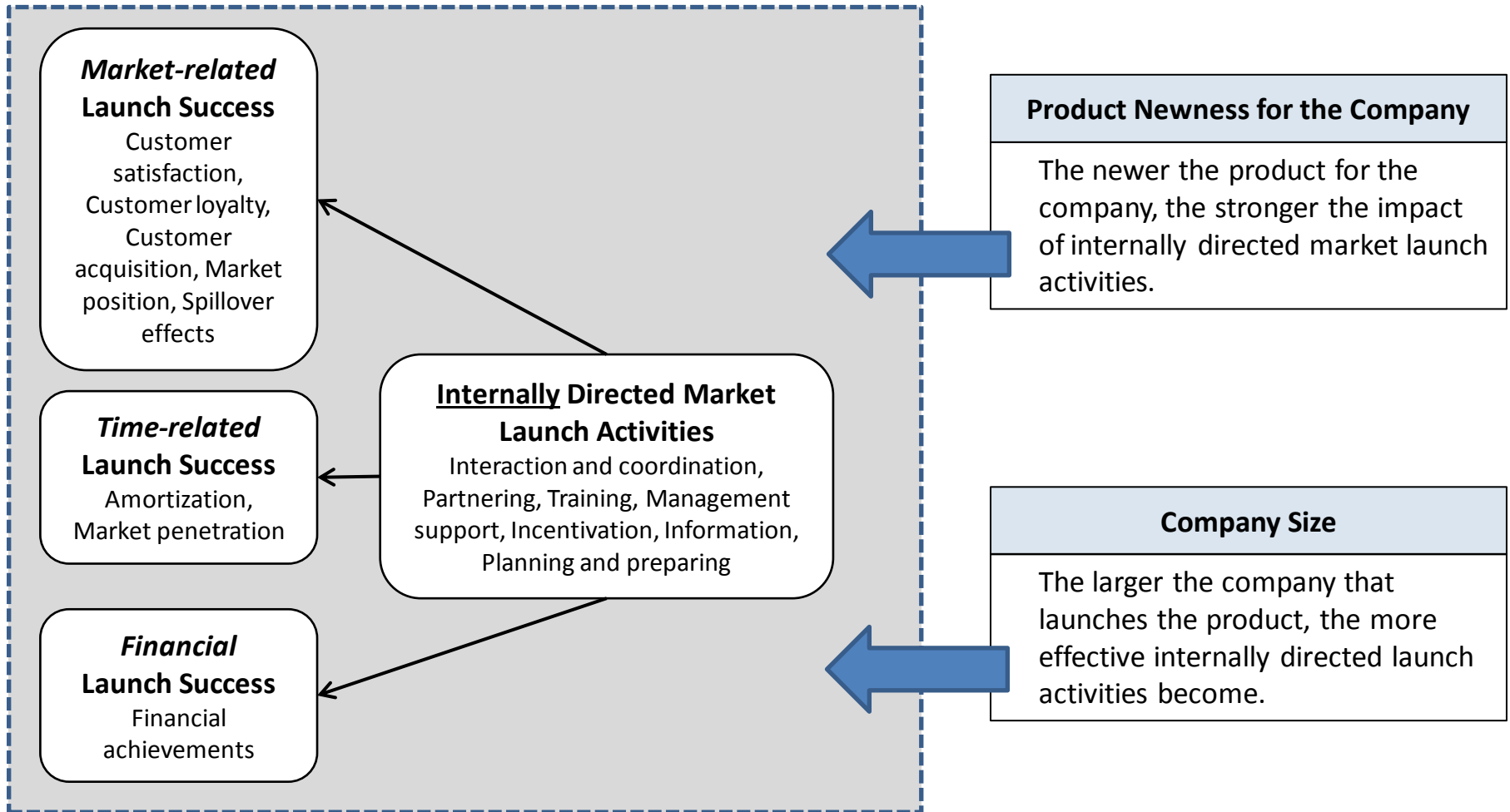
Answer to Key Question 2 (1/2)

How do product newness, innovation drivers, and size of the launching firm affect the effectiveness of internal and external launch activities?



Answer to Key Question 2 (2/2)

How does product newness, innovation drivers, and size of the launching firm affect the effectiveness of internal and external launch activities?



Learning 1

Market launch success depends on **both** the intensity of externally directed market launch activities **and** the intensity of internally directed market launch activities.

Learning 2

Targeting launch activities toward internal stakeholders strongly impacts the bottom-line by leveraging organizational efficiencies. This leverage also supports more rapid product acceptance and faster amortization.

Learning 3

Preannouncing, launching with a broad assortment, penetration pricing, and branding are crucial externally oriented launch activities.

Learning 4

Cooperations with channel partners, incentives for both managers and employees, and timely launch preparation are indispensable internally oriented launch activities.

Learning 5

Internally directed market launch activities should be the center of attention when the company is relatively large, signalling the need for stronger internal coordination and support than in smaller organizational entities.

Learning 6

The focus on internally directed market launch activities is especially indispensable when the innovation is new to the firm and employees as well as executives lack the relevant experience with the target market.

Learning 7

Technology-driven innovations reduce effectiveness of externally directed launch management.

Learning 8

When the product is new for customers, the externally directed launch activities become essential.

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Further Reading:

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