REVIEW OF LITERATURE
CHAPTER 3: REVIEW OF LITERATURE

3.1 Introduction:

The researcher reviewed the following to explore and understand the views put across by researchers and experts to understand the topic.

For conceptual understanding, articles, research papers, books and websites with reference to the following were studied:

- Winning Strategies
- Product Strategies
- Product Launch
- Importance of Innovation
- Customer Orientation
- Perceptions
- Role of communication in new product launch
- Auto Industry – history, trends, challenges and strategies

In addition, other material linked to product launch and automobile industry was also referred to.

This reading helped in designing the research process and crystallizing the key areas of focus. The researcher presents the review on literature study in the consequent pages.
3.2 Winning strategies:

New products are very important to any company. Developing high quality products faster, more efficiently and more effectively is the agenda for senior managers around the world.

It is interesting to note that some products developed by companies do extremely well whereas some products just do not perform well in the marketplace. It is difficult to understand the reasons behind the same. Irrespective of being in the same industry some companies become market leaders whereas some companies fail and do not meet customer expectations. The reality is that all companies do make great investments in new product projects.

Winning strategy needs to be as the backbone for an effective new product launch. There are numbers of steps that constitute a winning strategy. In a paper, on Achieving Competitive Differentiation: the challenge for automakers, in 2003, Herbert Tay proposes the foundations for winning strategies as stated below:

Tay’s foundations of winning strategies are:

1) “Investment in fresh, attractive, affordable consumer driven products.
2) Accelerated Product Development- New product explosion is the need of the hour.
3) Intelligent Platform and Component sharing – New products are developed in 30-50% lesser time if the existing platform is used.
4) Flexible Manufacturing- Improve the flexibility of the assembly plants
5) Supplier Partnering – develop strategic partnerships with suppliers.
6) Manage supply and demand appropriately

7) Focus on key developing markets- Developing countries with a sizeable growing middle class represents huge potential demand for personal transportation.

8) Customer Relationship Management - Establishing and executing long range CRM strategies

9) Continuous improvement of mindset and commitment- Automakers should make targeted investments in high quality differentiated products that reflect what customers’ value".

To summarize, the researcher concludes that a change in the mindset and commitment to deliver value to the customers is most desired. However, the researcher feels companies vary from one another in terms of their location and the environment in which they do business. Tay’s guidelines are general in nature. They provide a broad guideline to the automobile companies. Companies however depending on their competencies decide how to operate. In context of the Indian market, the real change process began only since the last decade. The protected market has now opened up. The manufacturers have begun to understand the importance of installing best practices used worldwide. The customers are now becoming more demanding and have begun to relate to the value of the product. With reference to the automobile industry, Indian companies have begun to explore opportunities outside India. The advantages of economies of scale are now realized and hence strategic initiatives are taken to enter into foreign markets. Foreign companies in India are using the resources of the country to cut the cost of the vehicle. The cost of labour that is cheap in India makes it attractive for the foreign companies to use the base
for manufacturing and exporting. Indian companies are showing eagerness to collaborate and partner with foreign companies for technical expertise and widening the product portfolio.

3.3 Product Launch:

Product Launch is the introduction of the new product in the marketplace. Launch is expensive and risky as it is critical to product success and the firm's ability to compete. Researchers suggest that a strong product launch greatly increases the chances of new product success. In the auto industry as the product is technical in nature, the design and manufacturing processes should not be having weak links. If this happens then the product needs to be called back. To take an example: Tata Sumo, Hero Honda JOY etc. Such an act disturbs the customer perceptions about the vehicle. Branding exercises can be carried out on a product provided there is no design and manufacturing related flaw.

A product fails in the market for a number of reasons. The reasons for failure vary. It is important for a company to study the prospects for the products in the market. The level of competition, nature of customers, their attitude and behaviour, levels of awareness are some of the aspects that should be studied by the company. Jin Yu and Murad Kurwa recommend use of Failure Mode and Effect Analysis (FMEA) to identify potential failure modes and their associated causes. FMEA can find the weaknesses in product designs and manufacturing processes before the design and process are realized. FMEA is supposed to be a before the event action and not to be used after the launch. This model
minimizes or nullifies the risk of product failure. The five phases of product development namely- plan and define; design and development, process design, preproduction and mass production have to be kept in mind while using the FMEA process. A step-by-step approach is important to know the progress of new product development. However, the researcher feels this approach does not consider if the product planned was as per the requirements of the buyer.

A new product launch includes trade show participation, product demonstrations, distribution channel arrangements soliciting and acting on customer feedback. Researcher came across different views on new product launch. One view recommends launch to be treated as separate phase with a different entity. Separate attention needs to be given to this phase. Advertising, and sales promotion need to be panned keeping the customer in focus. In a newsletter for marketing communications professionals, GS Insight, the importance of using Public Relations for launch success has been discussed. Public relations is becoming the key fuel for launching products to new heights. This is because it has the potential to take the product to a global audience. “Driven by increased competition and R&D cycles shortened by new technology, companies now launch products on aggressive schedule. PR has increased in its marketing importance allowing companies to begin creating awareness and demand well in advance of the product launch and the corresponding advertising campaign.” From the researcher’s point of view, PR helps in building the background for the new product. It familiarizes the customers and market with the product features. Typically in the automobile industry, an extensive use of Public Relations is seen. Pre-launch activities such as beta testing,
customer discussions, road shows, contests etc build curiosity in the market place. But according to the researcher, launch phase should not be treated as a separate phase. If the company is interested in launching the product successfully, then launch should be integrated in the new product development process. The design of the new product development process is important for the success or failure of a product.

Some research suggests that a company can categorize the product launches as per the nature of the product. Chuck Chanderson in an article written for Product Development Management Association (PDMA) recommends categorization of product launch in A, B and C levels. A level launches are high profile products intended to be major sales driver, B level launches are for line extensions, major enhancements to existing products and services and C level for minor utilities. The researcher feels the same logic may be applied to automobile industries. At one time, here existing products refreshed from time to time and new products are introduced. The primary objective of such changes is to breathe in fresh life in the existing products to result in increased market share. However, the frequency of refreshed products is higher in comparison with new products. New products should be introduced with a bang to make a high impact. In addition, the customer needs to be conveyed about the changes incorporated in the existing products. For example, use of Quantum Core Technology in Hero Honda Motorcycles or CRDe technology used for Scorpio was advertised heavily. But promotional budgets definitely need to be controlled and used appropriately. The promotional campaign should provide tangible results to the company. Once product launch programs are categorized then it is
easier to plan for launch budgets. The company may then decide to go for either a soft launch or a hard launch.

3.4 Strategy for Product Launch:

Product Strategy and planning involve decisions about the firm’s target market, product mix, project prioritization, resource allocation and technology selection. Mansfield and Wagner (1975) show that these factors have a significant influence on the probability of economic success.\(^{10}\)

In a research paper, Anthony Di Benedetto (1999) identifies two categories for product launch decisions: strategic and tactical. “Strategic decisions are concerned with product and market issues: how innovative the product should be, what type of market the product should be launched into, what the competitive stance or positioning should be and so forth. Tactical decisions are the marketing mix decisions-product and branding, pricing, advertising and distribution and are more easily modified in later stages of the NPD process.”\(^{11}\) This approach identifies the need to look at all the factors involved in the product launch process. The researcher values this contribution of Anthony Di Benedetto.

A flowchart of all the activities involved in product launch should be made. This flowchart may be product specific or industry specific. Crawford’s model gives a good idea about the activities prior to new product launch.
However, the researcher feels this model still does not provide complete clarity about the background NPD activities. Actually the entire design of New Product Development Process should be made by keeping in mind the end objective of the activity. The model
does not throw light on the background NPD activities. The basic reasons for New Product Development and the organizational expectations from the new product activity need to be clear and known. It is these back end triggers that result in NPD leading to specific outcomes.

Di Beneditto identifies the following factors as important to success of product launch

- "Superior skills in Marketing research, Sales Force, Distribution, Promotion, R&D and engineering"
- Cross functional teams making key marketing and manufacturing decisions
- Logistics
- High quality of selling, advertising and technical support
- Excellent launch time relative to customers and competitors
- Information gathering of all kinds such as market testing, customer feedback and advertising testing”.

3.5 Importance of Innovation:

As per Thomas Kuczmarski, the world has evolved through three major business revolutions- agricultural, industrial and informational. According to him the next revolution will be of Innovation. Innovation will be the key to success. Companies will not be able to sustain consistent earning increases without effectively managing innovation. James Bowens says that discontinuity is a major factor behind many economic changes. Hence according to him innovation is a force that creates
disequilibrium or discontinuity in the market causing revolutionary restructuring of markets\(^5\).

Need for innovation becomes more and more important as the automobile industry is technology intensive. Typically in India a trend has been where the domestic companies go for a technological collaboration with foreign companies. The researcher identified the a few cases such as

- Tata Motors – Daimler Benz
- Bajaj Auto – Kawasaki
- Hero Honda – Honda Motor Company
- Kinetic - Honda
- Mahindra – Ford
- Maruti – Suzuki
- L & T – John Deere

In some other cases, some Indian companies have partnered with foreign companies for marketing their products in India.

- Kinetic - Hyosung for Performance motorcycles like Comet
- Italijet for scooters (launched in June 2005)

Hence, the success of vehicles like TVS Spectra and Victor, Tata Indica, and Mahindra Scorpio is commendable. The innovative and indigenous efforts of the organization have resulted in these products.
Innovation is the driver of a modern organization. It is a mindset that motivates to think differently and take risks. This eventually separates the company from the rest of the competition.

3.6 Customer Orientation:

Customers are the end users of any product. A product manufactured or a service designed is intended to match the needs of the target group of customers. Customers seek benefits from the products. Actually products are the solutions to customer problems. Different customers perceive the benefits that a product offers differently. Innovation should be strategically seen from the customers’ eyes. Whenever a new product is being introduced or an existing product is going to be upgraded it should be determined in relation with the competitors offerings and the customer perceptions. Customers are valuable resources. As stated by Garvin, the role of customer as a co creator is more evident in industrial products than consumer products. Co creation adds a dynamic value to the producer / customer relationship by engaging customers directly in production and distribution of value. Customers can participate in idea generation and can even share his thoughts on the branding for the product. In India, when Ford Motor Company decided to launch Ford Ikon, one of the potential customers came up with the word-Josh. Josh means spirit. Ikon was branded as the Josh machine and has been successful in the mid size car segment in India.
According to Kuczmarski, strategic positioning of innovations that embrace new to the world or improved benefits has a longer period to enjoy margins before competition flows. Finally all the marketing strategies result in forming perceptions about the product in the marketplace. The impact of a marketing strategy leads to perceptions and perceptions lead to acceptance or refusal of products. Since the customer concern revolves around the benefits, it is important to convey them directly. Benefits are more valued when compared with competition. Kuczmarski's thoughts on perceptions of new product benefits is interesting to study in view of plans for the launch strategies.

Further in the book, Through the Customers' Eyes, Lindsay Geddes writes that core reason for the success of companies achieving outstanding financial results is their ability
to do an exceptional job in serving their customers. She introduces the CORe\textsuperscript{19} method for organization wide orientation to customers for improvement in financial performance.

This CORe method has four steps

Chart 6: CORe Method

| Understanding customer viewpoints | Scoping out needed changes | Establishing the new direction | Working together for customers and profits |

The researcher feels abiding by this model will help the companies in understanding the customers thoroughly. This will also help in developing and launching new and revised products and services effectively and efficiently. The researcher earlier has explained the importance of involving customer in New Product Projects. Knowing customer opinions and requirements will definitely improve the success rate of new product launch strategy.

3.7 Success Factors:

Irrespective of the research done on new product performance in the market for different type of product categories all across the world, there are no direct indicators to the reasons for success or failure. Every product case is unique and the market performance is subject to several conditions acting at any point of time. In a research titled, From Experience: The Invisible Success Factors in Product Innovation, Robert Cooper has uncovered two types or classes of success factors which are listed below

1) “Doing the right projects- these are influenced by a number of external or environmental success factors over which the new product project team has little control. For e.g.: Characteristics of the market, technology, competition etc.
2) Doing projects right—this includes process factors or actions that the new project team focuses on. In the same work, Cooper has further listed eight common denominators for successful new product projects as stated below.

1) Up front Homework—Lot of hard work and study should be involved in new product project.

2) Build in the voice of the Customer—Customer voice should be listened to carefully. As per the study of Cooper and Klein Schmidt, new product projects that feature high quality actions—preliminary and detailed market studies, customer tests, field trials and test markets, as well as launch—are blessed with good marketing response.

3) Seek Differentiated; Superior Products—One of the top success factors is delivering a differentiated product with unique customer benefits and superior value for the user.

4) Demand sharp, stable and early product definition—A failure to define the product—its target market, the concept, benefits and positioning and its requirements, features and specifications before development is a major cause of new product failure and serious delays in time to market.

5) Plan and resource the Market Launch...Early in the Game—Launch Program should be well planned and well executed. High Quality launch is desired for a high impact.

6) Build tough Decision Points in the Process—The process of product development should be under constant scrutiny with check points at every stage.
7) Organize around true cross functional project teams- Good organization design supporting cross functional teams is linked to new product success.

8) Build an international orientation in the new product Process-In a global context new product should be definitely aimed not only at domestic market but to international markets as well.

The researcher finds the Cooper model to be very effective in the age of competition. These guidelines touch upon the various facets of the new product launch process. Research of Cooper gave new insights to the researcher. The holistic model for new product launch began to take shape in the mind of the researcher after these readings.

Further as summary, in The PDMA Handbook of New Product Development, the best practices followed by companies credited with Outstanding Corporate Innovator since the year 1988 to 2003 have been highlighted. These best practices are

- "A well defined product development process unique to their market and technology environment"

- A strong commitment to cross functional teams as the fundamental organizational construct for executing the new product development

- String voice of customer input

- A robust process at the front end to drive innovation in their product portfolio.

- A strong linkage of new product development to the company's corporate strategy, therefore ensuring top management commitment".22
The review of literature highlights the following points:

- New Product launch is not just one phase but it is cross-linked to a number of other parameters.
- Companies desirous of improving their market performance have to strategically build the product portfolio.
- Customer Involvement at all stages of product development improves the chances of product acceptance.
- A company keen to improve the ratio of successful products as against the weak products should have a proper strategy in place.

On the basis of review of literature, the researcher identified three types of inputs for the topic of research. The three input flows are:

a) Automobile Company Executives
b) Automobile Dealers
c) Customers
REFERENCES


5. Source: Related literature on websites.


9. www.accenture.com


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15. Bowen James, Building High-Tech product Companies, 2004, Thomson Learning


19. Through the Customers’ Eyes, Lindsay Geddes, AMACOM, 1993, pp 7


21. As above