The PRICING ADVISOR
A Professional Pricing Society Publication

3535 Roswell Road, Suite 59
Marietta, GA 30062
770-509-9933
www.pricingsociety.com

Ten Things Managers Have to Factor Into an Innovation Process

In this article, the author cites research from the Simon-Kucher & Partners 2014 Global Pricing Study to demonstrate the challenges many companies face in successfully bringing their new products to market. He then offers ten strategies that managers should employ in their innovation and new market strategies in order to find success when pricing and positioning new products. Author Dr. Georg Tacke is the CEO of the international strategy consultancy Simon-Kucher & Partners. He can be reached via www.simon-kucher.com.

Most companies fail to successfully position their new products in the market. This is the result of the Simon-Kucher & Partners 2014 Global Pricing Study*. Almost three out of four new products fail to meet their profit targets. These problems are self-inflicted and thus curable. Pricing and marketing need to be the top priority of the innovation process. **By far the best and often the only way to overcome price pressure is through new products, as 77 percent of the approximately 1,600 responding managers confirm.**

1) Pricing and marketing need to be integrated from the get-go
Successful companies fully incorporate marketing and pricing throughout the innovation process, from the product inception to the market launch. An example of what NOT to do: After years of developing a product, a client approaches a week before the product launch with the question: "Could you help me to find the right price for my product?"

2) Make the innovation process and new product pricing C-level priorities
The main difference between companies that succeed and companies that fail is essentially how they look at new products. The successful ones focus on value, always looking at their products from a market or customer perspective. The CEO sets the tone in this process and is closely involved from the start.

3) Make sure that you have at least one pricing/marketing expert in each new product team
This is a simple rule of thumb that will help you ensure that your product doesn't end up being over-engineered or impossible to sell.

4) Allocate a budget ahead of time to measure customer value and willingness to pay
You can't make something out of nothing. Even for extremely long innovation cycles that take several years, the most successful companies set aside the necessary budgets early on (e.g. life sciences).

5) Every now and then, take part in product milestone meetings
We don't mean a surprise visit, but one that's been announced ahead of time. Such a visit has an enormous impact on the team: The CEO is interested, the project gains importance, the team gets attention, and everyone gives their all.

6) Strengthen your teams by encouraging them to make decisions for the company based on facts and research – even if it's hard to hear
"The train has left the station" is probably the weakest excuse for pushing a product that has no future. Regardless of the phase, if you figure out that a new product won't achieve the profit targets, then you should kill the project as quickly as possible.

7) Strike unprofitable projects from your list
Make a strong impression on your team by setting a good example. Everyone will know that you practice what you preach.

8) For really important decisions, use two parallel teams
An example: The board of a company always assigns two independent teams with the job of developing a price strategy for the market launch of major products. This approach consistently provides the company with the best possible results. When you're dealing with a multi-million-dollar product, the approach pays off immediately.

9) Make your teams share the responsibility for their decisions and recommendations
Team members should sign off personally on all milestone presentations, business cases and forecasts. Of course, no one will be held personally accountable when things don't go as planned, but each signature will make team members critically check interim results, ultimately improving the overall team results.

10) Beware of well-intended, but flawed incentives
Incentives gone wrong: In one company, project team members were given incentives to bring as many new products to the market as possible, regardless of quality. A major mistake!

**The Simon-Kucher & Partners 2014 Global Pricing Study: Approximately 1,600 participants from over 40 countries, among them 39 percent C-levels from companies of all industries, took part in May/June 2014 in an online study conducted by Simon-Kucher & Partners. The study takes place every two years in cooperation with the Professional Pricing Society (PPS). A summary of the study is also available upon request.*