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

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Executive Summary

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.
Agenda

- 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
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?
Study Characteristics

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)
Main Study Descriptive Statistics

**Industries**

- Others: 17%
- Mechanical Engineering: 18%
- Life Sciences: 14%
- Food & Beverages: 13%
- Pharmaceuticals: 9%
- Chemicals: 9%
- Automobile: 6%
- IT & Communications: 10%
- Software: 2%
- Consumer Electronics: 2%

**Sector**

- B2B: 78%
- B2C: 22%

**Sales in year of launch**

- < 100 mio €: 25%
- 100 - 250 mio €: 18%
- 250 - 500 mio €: 18%
- > 500 mio €: 15%
- > 2.000 mio €: 15%

**Employees in year of launch**

- < 100 mio €: 25%
- 100 - 250 mio €: 18%
- 250 - 500 mio €: 18%
- > 2.000 mio €: 15%
- > 5,000 mio €: 20%
- 100 - 500 mio €: 27%
- 500 - 1,000 mio €: 16%
- 1,000 - 2,000 mio €: 18%
- 2,000 - 5,000 mio €: 19%
Key Question 1
What is the impact of the two types of market launch activities on market launch success?

**Externally Directed Market Launch Activities**
- Communication, Distribution, Preannouncing,
- Segmentation,
- Assortment size, Penetration pricing, Branding

**Internally Directed Market Launch Activities**
- Interaction and coordination,
- Partnering, Training,
- Management support, Incentivation,
- Information, Planning and preparing

**Market-related Launch Success**
- Customer satisfaction,
- Customer loyalty,
- Customer acquisition,
- Market position, Spillover effects

**Time-related Launch Success**
- Amortization, Market penetration

**Financial Launch Success**
- Financial achievements
Launch Activities Playing a Dominant Role in the Managers’ Tool Box

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.
- Our employees received incentives for their market launch support.
- Our managers received incentives for their market launch support.
- We began with planning and preparing the market launch very early.

**Externally Directed Market Launch Activities**
- Our product was launched with a broad assortment.
- We introduced the new product at a penetration price.
- The new product was launched with a well-known brand name.
- We intensely preannounced the new product before market introduction.
### Answer to Key Question 1
What is the impact of the two types of market launch activities on market launch success?

<table>
<thead>
<tr>
<th></th>
<th><em>Market-related</em> launch success</th>
<th><em>Time-related</em> launch success</th>
<th><em>Financial</em> launch success</th>
</tr>
</thead>
<tbody>
<tr>
<td>Externally directed market</td>
<td>Very strong impact</td>
<td>Strong impact</td>
<td>Strong impact</td>
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<td>launch activities</td>
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<tr>
<td>Internally directed market</td>
<td>Slight impact*</td>
<td>Very strong impact</td>
<td>Very strong impact</td>
</tr>
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<td>launch activities</td>
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*) 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?

- **Product Newness for the Customer**
  - Innovation Drivers (Market Pull vs. Technology Push)
  - Externally Directed Market Launch Activities: Communication, Distribution, Preannouncing, Segmentation, Assortment size, Penetration pricing, Branding
  - Market-related Launch Success: Customer satisfaction, Customer loyalty, Customer acquisition, Market position, Spillover effects
  - Time-related Launch Success: Amortization, Market penetration
  - Financial Launch Success: Financial achievements

- **Product Newness for the Company**
  - Company Size
  - Internally Directed Market Launch Activities: Interaction and coordination, Partnering, Training, Management support, Incentivation, Information, Planning and preparing

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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?

**Product Newness for the Customer**
- The more radical the customers perceive the new product to be, the more effective externally directed activities are.

**Innovation Drivers (Market Pull vs. Technology Push)**
- Technology push innovations negatively moderate the relationship between externally directed launch activities and market-related launch success.

**Externally Directed Market Launch Activities**
- Communication, Distribution, Preannouncing, Segmentation, Assortment size, Penetration pricing, Branding

**Market-related Launch Success**
- Customer satisfaction, Customer loyalty, Customer acquisition, Market position, Spillover effects

**Time-related Launch Success**
- Amortization, Market penetration

**Financial Launch Success**
- Financial achievements
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?

- **Product Newness for the Company**
  - The newer the product for the company, the stronger the impact of internally directed market launch activities.

- **Company Size**
  - The larger the company that launches the product, the more effective internally directed launch activities become.

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**Internally Directed Market Launch Activities**
- Interaction and coordination,
- Partnering, Training, Management support,
- Incentivation, Information, Planning and preparing

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**Market-related Launch Success**
- Customer satisfaction,
- Customer loyalty,
- Customer acquisition, Market position, Spillover effects

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**Time-related Launch Success**
- Amortization, Market penetration

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**Financial Launch Success**
- Financial achievements
What can innovative companies learn from this study?

<table>
<thead>
<tr>
<th>Learning 1</th>
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<tr>
<td>Market launch success depends on <strong>both</strong> the intensity of <strong>externally</strong></td>
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<tr>
<td>directed market launch activities <strong>and</strong> the intensity of <strong>internally</strong></td>
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<td>Targeting launch activities toward <strong>internal</strong> stakeholders strongly impacts the bottom-line by leveraging organizational efficiencies. This leverage also supports more rapid product acceptance and faster amortization.</td>
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<th>Learning 3</th>
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<td>Preannouncing, launching with a broad assortment, penetration pricing, and branding are crucial <strong>externally</strong> oriented launch activities.</td>
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<td>Cooperations with channel partners, incentives for both managers and employees, and timely launch preparation are indispensable <strong>internally</strong> oriented launch activities.</td>
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Different contexts impact the effectiveness of launch management

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.
References and Further Reading


**Further Reading:**


The **Institute for Market-Oriented Management (IMU)** at the University of Mannheim (Germany) considers itself to be a forum for dialogue between scientific theory and practice. The high scientific and academic standard is guaranteed by the close networking of the IMU with the three Chairs of Marketing at the University of Mannheim, which are highly renowned on a national and international level. The Academic Directors of the IMU are Prof. Dr. Hans H. Bauer, Prof. Dr. Dr. h.c. mult. Christian Homburg and Prof. Dr. Sabine Kuester.

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