Successful Product Development and Innovation

Using conjoint experiments to predict consumer choice decisions for new products

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Management Summary

What are the take-away's of this report?

› Successful new product development requires systematic analysis of consumer preferences and prediction of market choices

› State of the art for measuring consumer preferences are choice based conjoint (CBC) experiments

› CBC can be implemented relatively quickly and analyzed using sophisticated but established estimation procedures

› The experimental analysis of consumer choices allows the prediction of future purchase decisions for hundreds (and often thousands) of possible market scenarios

› History of the conjoint methodology dates back to the 70's, but improvements in computing capacities and the focus on understanding consumer decision-making keeps it viable for the future

Why is new product development so important?

› Products and services[1] have a limited life cycle

› New product development is a necessity for firms to grow (or even survive)

› However:
  - Product development leads to high (marketing) costs
  - New product introductions often fail: 80%-85% failure rate in FMCG, 50% in industrial products (Collins 2015, Malek 2018)

› Systematic development and testing increases success rates: Innovations are up to 3.3 times more likely to be successful (Cooper 2001)

[1] *Product development is equally important for products and services. In the remainder of this document we use products as a general term for both.*

Introduction to Preference Measurement