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How to make sure your next product or service launch drives growth

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Fifty percent of launches don't hit their targets. Launch champions follow these four rules.

Any company looking to boost revenue growth needs to launch new products or services. More than 25 percent of total revenue and profits across industries comes from the launch of new products, according to a McKinsey survey (Exhibit 1).[1]

Recent research has also shown that companies that focus on creating new products and services while maintaining core competencies across functions grow faster than their peers. And as companies look to future growth, the overwhelming majority expect it to come from creating new products, services, or business models.[2]

In the search for growth, companies have been increasing R&D spend year-on-year since 2005, now totaling over $1.5 trillion globally (equivalent to the GDP of Canada). Yet despite this investment and the importance of developing successful new products, our research has shown that more than 50 percent of all product launches fail to hit business targets.

Why is it so difficult to launch a product or service?

Technology has made good product launches more challenging. It has lowered the bar for product development, allowing companies and startups to roll out more launches more quickly and cheaply. Digital technologies in particular have allowed companies to rapidly pilot and scale new services, from loyalty programs to support for existing products.

On top of that, myriad digital platforms from email to Snapchat have led to a barrage of messaging and communications, making it harder for products to stand out. That fact might explain why American families repeatedly buy the same 150 products that make up some 85 percent of their household needs.[3]

In analyzing product and service launches across industries, we noted plenty of variation in terms of frequency, average spend, and launch type—especially between completely new

[1] McKinsey cross-industry launch survey with 50+ senior executives.

[2] "Invest, Create, Perform: Mastering the three dimensions of growth in the digital age," March 2017, McKinsey.com.

[3] "Why most product launches fail," *Harvard Business Review*, April 2011.

Exhibit 1

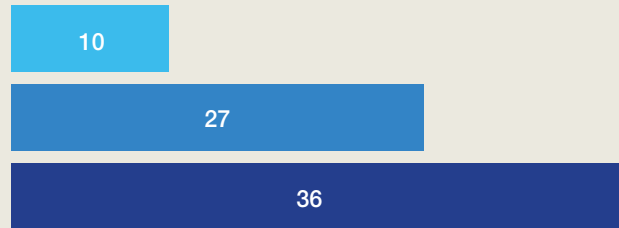More than 25% of total revenue and profits come from the launch of new products

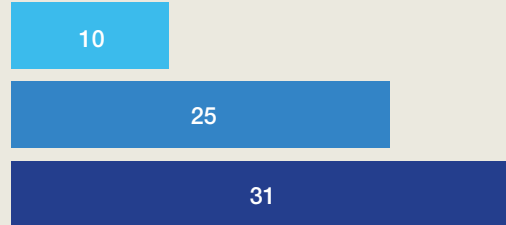Revenue and profit from new products, past 3 years

%, N=211   ■ Top 25%   ■ Average   ■ Bottom 25%

% of revenue from new products
- Bottom 25%: 10
- Average: 27
- Top 25%: 36

% of profit from new products
- Bottom 25%: 10
- Average: 25
- Top 25%: 31

Source: American Productivity & Quality Center (APQC) and Product Development Institute (PDI) study, 2011

products, which dominate in pharma, as opposed to just upgrades or line extensions, as is often the case in consumer companies. Despite the variation, average failure rates are high across the board—over 40 percent—with consumer and retail performing worst and pharma performing best.

Interestingly, this failure rate holds across different launch types. While one might expect the launch of completely new products to be less successful because of the complexities of changing consumer perceptions and habits, their failure rate is comparable to the launch of incremental changes in familiar products. Clearly, the complexity of the product doesn't have much of an effect on the launch.

Neither does money, as it turns out. Our research showed no correlation between the amount invested in a launch and the rate of success. Nor is there a correlation with the average frequency of launches. Just because you do it more doesn't mean that you get any better at doing it, according to the data.
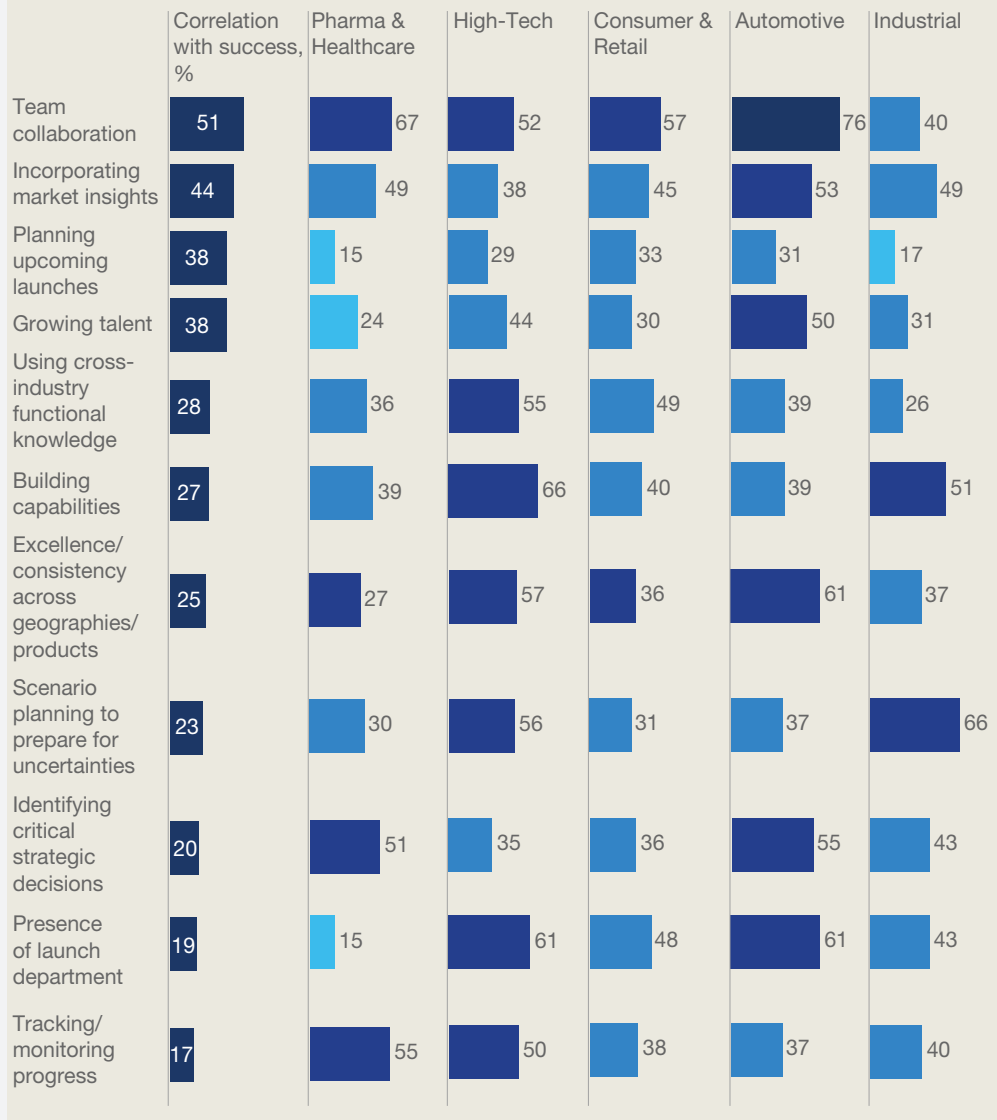
Launch champions: What they do right

What turns out to really matter is having in place a specific set of core capabilities, the most important of which are team collaboration, incorporation of market insights, rigorous planning of upcoming launches, and growing talent (Exhibit 2).

Exhibit 2

Specific launch capabilities correlate with success

Market performance, % Top 2 box

	Correlation with success, %	Pharma & Healthcare	High-Tech	Consumer & Retail	Automotive	Industrial
Team collaboration	51	67	52	57	76	40
Incorporating market insights	44	49	38	45	53	49
Planning upcoming launches	38	15	29	33	31	17
Growing talent	38	24	44	30	50	31
Using cross-industry functional knowledge	28	36	55	49	39	26
Building capabilities	27	39	66	40	39	51
Excellence/ consistency across geographies/ products	25	27	57	36	61	37
Scenario planning to prepare for uncertainties	23	30	56	31	37	66
Identifying critical strategic decisions	20	51	35	36	55	43
Presence of launch department	19	15	61	48	61	43
Tracking/ monitoring progress	17	55	50	38	37	40

Source: McKinsey cross-industry launch survey, 2015

Whichever the sector, however, most businesses do not have a clear sense of which launch capabilities really matter, nor do they have a systematic program for investing in them. More worrisome, many companies rate themselves as poor performers across the most crucial launch capabilities, with only a few rating themselves above average, e.g. 55

percent of pharma executives rating their "tracking/monitoring progress" as good while industrial executives give "Scenario planning to prepare for uncertainties" their top rating.

Here is what the best companies do to win when it comes to product and service launches:

Build an organization for collaboration

In our survey, the single most important driving force behind successful commercial launches (averaged across sectors) was team collaboration, especially the ability to unite around one direction and to execute as a team. That level of collaboration is hard to achieve in most businesses, since different functions with different reporting structures and incentives are responsible for different elements of the product launch.

To counter this issue, the best performers establish a cross-functional launch department to orchestrate and integrate activities across functions and geographies. This department operates like a center of excellence overseeing the full portfolio of launches and is the mechanism for bringing the right people together—marketers, social-media experts, developers, customer-service people, designers, etc.

For example, a German packaging company pulls together a launch team that combines technical, commercial, and regional stakeholders under a strong launch manager at the beginning of the product-development process. This greatly accelerates the process because the people who can make decisions are working together. This sort of collaboration and cross-pollination of ideas and expertise also often leads to better launch ideas.

The launch department allocates budgets, usually with the direct approval of the CMO or sometimes even the CEO, and assigns managers to each launch who have end-to-end responsibility and are empowered to make decisions.

This group is also the keeper of all lessons learned about best practices in launching products and provides guidance, for example, on how to do a large launch as opposed to a smaller one. They develop comprehensive playbooks to standardize the best approaches, which then guide product-launch teams.

Excellence in strategy and planning

Product launches are often complicated and expensive, with costs spiraling out of control. A sound strategy and clear plan are indispensable. A strategy should articulate exactly what the business wants to achieve with the product or service, including which customers to target, what key message to communicate, and which three to five critical decisions will best drive those outcomes.

These strategic decisions have to be made early enough in the development process for the launch team to think through what they mean for the launch itself. When Fiat launched its Fiat 500, for example, it wanted to shift perceptions away from Fiat cars as merely "functional" and increase awareness of the car's style. The product-launch team decided to ask customers for their opinions about how to design the interior. The idea wasn't so much to get input on design—there was limited flexibility in what could be done—but to get people talking about style and associating it with Fiat. To do this, the launch team needed to be involved early on in the car's development process.

A firm strategy is the basis for a detailed launch plan, which identifies critical paths, resources, and decisions needed for success. In developing the launch plan, the best companies have a laser focus on launch ROI (gross margin/launch investment) to determine if launch activities actually deliver value. Launch ROI shifts the emphasis to metrics that track outcomes, such as preorders, instead of inputs, such as number of launch events or number of walk-ins.

A good launch plan also provides transparency between headquarters and the responsible teams at the country level, who are responsible for both building on and implementing it. High levels of transparency and clarity are particularly important for large global launches, which often have 600 or 700 items associated with a launch, such as collateral, messaging, brochures, coupons, and web campaigns. A good plan should identify what activities need to happen when, and who has responsibility for each one.

The plan should also identify potential risk scenarios—what happens, for example, if a competitor launches a campaign for a competing product just before launch?—and develop risk-mitigation actions that enable rapid course correction.

The German packaging company cited above brings together strategy and planning by instituting a stringent launch tracking process, which measures commercial and technical progress. Commercial progress is tracked across big-idea generation, target-customer definition, use-case development, and go-to-market strategy. This process allows leadership to intervene quickly when issues or opportunities surface.

Invest in insights to tailor programs

A differentiated launch strategy relies on a solid understanding of the market, consumer, and competitive situation. Without that, companies often revert to just pushing out generic slogans and media messages that do little to convert customers. Basic demographic and online analysis is a good start, but the best companies go beyond that to uncover insights into behaviors of (meaningfully) narrow segments of target customers.

One large auto manufacturer, for example, was preparing to launch a new car in China and wanted to reach young families. The original launch plan allocated the vast majority

of advertising spend to TV and newspapers, with little focused on the web. However, analysis revealed that young families were going to a set of websites more often than watching TV. The company then scaled back their TV and newspaper advertising and poured more spend into family-oriented websites. They also focused on tailoring in-person events to young families where their foot traffic was high. That meant, for example, putting child seats in cars they put on display in malls and developing programs to entertain kids while parents checked out the car.

Build up launch talent

Often hundreds of people are involved in delivering the commercial launch of a product. One mistake in the process can jeopardize the entire launch. Successful companies understand that to deliver on the strategy, they need to invest in training and developing their people. This starts with not just attracting good talent, but also making launch-team roles important and valued, not a career dead end. The best companies develop specific career paths for their launch leaders, with clear milestones for promotion and significant rewards for strong performance.

CEOs can raise the prestige of the launch of a product or service by being actively involved, from announcing launches to reviewing launch plans with the board. They also have a pivotal role in celebrating launch success by communicating it to the business and championing winning launch teams. In this way, they can even create role models for others.
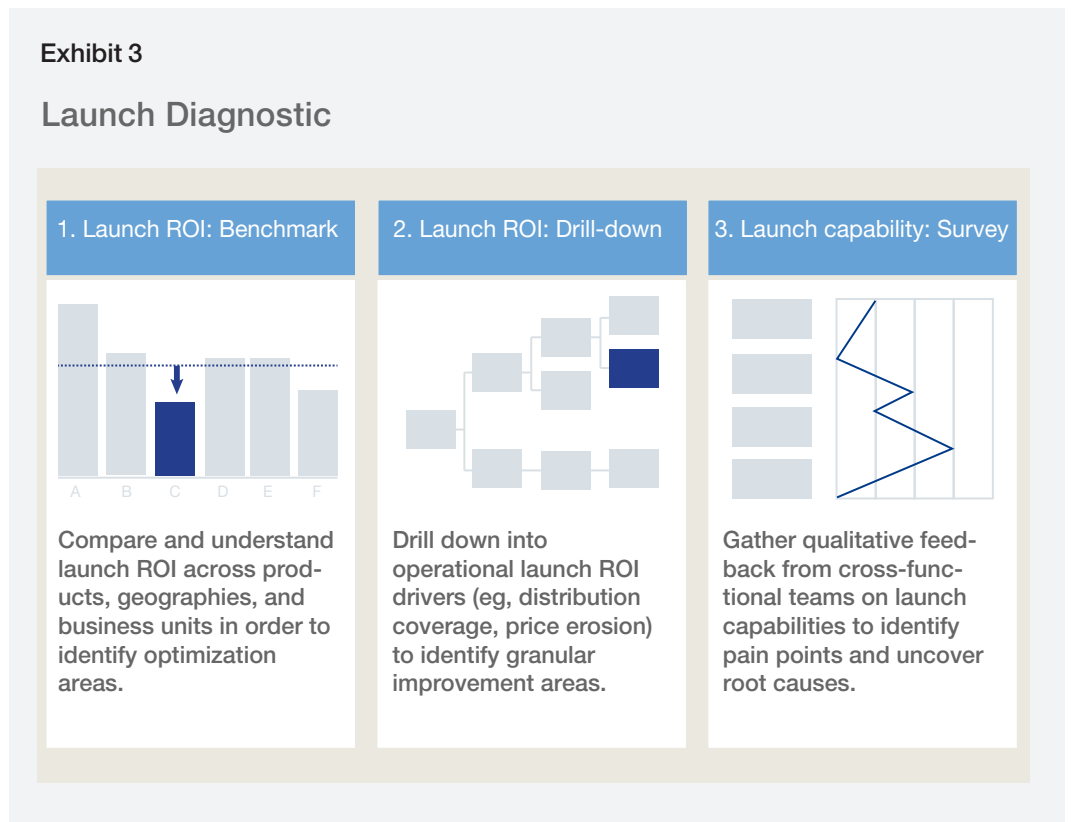
One approach that leading companies are using is to create a launch department that pulls together all commercial launch managers into a center of excellence, which helps identify and reward top talent. This organization also becomes the place where up-and-coming leaders are trained in product-launch excellence and fostering a culture of continuous improvement.

Getting started

Building up top launch capability is a significant effort. It requires leadership commitment and investing in supporting capabilities. In our experience, developing a strong launch capability requires executives to answer three sets of questions:

■ What role does the new product/service development play in my corporate strategy?

■ What levers can I pull to capture more value from my launches?

■ What is the return on investment of my product and service launches? Is it better or worse than my peers'? How does it vary by product group/region?

A crucial starting point is a clear and unbiased understanding of current launch capabilities. This analysis not only helps leadership understand where to focus its energies but also provides a source of common knowledge. This is particularly effective in providing a common focus and settling arguments at the leadership level based on different data sources (or, often, no data at all). A three-step launch diagnostic process is proven to provide senior marketers with useful benchmarking data (Exhibit 3).

Exhibit 3

Launch Diagnostic

1. Launch ROI: Benchmark	2. Launch ROI: Drill-down	3. Launch capability: Survey
Compare and understand launch ROI across products, geographies, and business units in order to identify optimization areas.	Drill down into operational launch ROI drivers (eg, distribution coverage, price erosion) to identify granular improvement areas.	Gather qualitative feedback from cross-functional teams on launch capabilities to identify pain points and uncover root causes.

Products are a source of significant growth for businesses. But unless companies can master product launches, the full value of products will remain out of reach. ◻

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