



Research Report H200502

Product introduction by SMEs

Differences between theory and practice

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Zoetermeer, August, 2005

ISBN: 90-371-0955-1

Order number: H200502

Price: € 30.-

This report is published under the SCALES-initiative (SCientific Analysis of Entrepreneurship and SMEs), as part of the 'SMEs and Entrepreneurship programme' financed by the Netherlands Ministry of Economic Affairs.

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Summary

In recent years a great deal of research has been carried out on the subject of product introductions. However, there has been little research on product introductions by small and medium sized enterprises (SMEs). As there are many differences between SMEs and large companies in the way they deal with innovation in general, it seems likely that SMEs will go about product introduction in a different manner. Current theory on product introductions might not, therefore, be fully applicable to SMEs. The differences between current theory on product introductions and practice in SMEs are explored in this study.

The central question is therefore: 'Does the way product introductions are handled by SMEs differ from the way product introductions are described in literature?'

This question can be divided into the following research questions:

- 1 What is said about product introductions in the available literature?
- 2 How are product introductions handled by SMEs in practice?
- 3 What are the differences between theory and practice?

Theory

Introduction and launch

In literature the terms introduction and launch are both used to indicate the process of placing a new production on the market. There does not seem to be total consensus as to when to use which term. The following definitions however seem to be most common¹:

- launch: the first actual moment the new product is placed on the market and the customer is informed about the new product.
- introduction: the phase in the marketing life-cycle of a new product, during which the launch is planned and preparations for the launch are made.
- launch strategy: those marketing decisions that are necessary to present a new product to its target market and to begin to generate income from sales of the new product (Hultink, 1997).

The decisions comprising the launch strategy can be divided into strategic and tactical decisions. The strategic launch decisions are strongly linked to the company's overall strategy and product planning and comprise: product strategy, market strategy, competitive strategy and firm strategy. The tactical launch decisions comprise the marketing mix decisions (product, promotion, price, distribution and timing). These decisions are usually taken towards the end of the development process.

Factors influencing the launch strategy

The design of the launch strategy is influenced by various factors. These influencing factors can be product related, market related or company related.

¹ A graphical overview of the position of the launch, introduction and launch strategy is given in the upper part of figure 1.

Considerable research has been carried out as to the influence of product related factors, such as product newness and product advantage. Most of the findings from these studies point in the direction of differences in market strategy. Really new products (pioneers) are usually targeted more at innovators and early adapters (Guiltingan, 1999 and Beard and Easingwood, 1996), and targeting markets with smaller numbers of competitors (Yoon and Lilien, 1985), while incrementally new products (followers) are targeted more at followers, and are introduced onto markets with higher numbers of competitors.

Looking at the chosen market strategy itself, it appears that targeting a product at a new market implies paying a great deal of attention to product positioning (Calantone and Montoya-Weiss, 1993). There are differences between product launches in consumer and industrial market, for instance industrial products are usually introduced with lower relative distribution expenditures than consumer products. In launches of industrial products, promotional tactics such as personal selling and direct marketing are used more often, whereas consumer product launches more often use customer promotion, printed advertising and tv/radio advertising (Hultink et al. 2000).

A subject which seems to have received less attention in launch research is the influence of the type of company on the launch strategy. What is known is that company size seems to influence the launch strategy, as small firms tend to pay little attention to marketing strategy (Smeltzer et al., 1988; Beard and Easingwood, 1996; Bahrami and Evans, 1989). In launching new products small firms tend to target heavy users (Beard and Easingwood, 1996).

Little is known about the influence of the sector of industry on the launch strategy used. Although Cooper and De Brentani (1991) found no large differences in success factors for new manufactured products and success factors for new services, this tells us little about possible differences in the launch strategies used.

Implications for SMEs

Although some researchers have looked at the influence of firm size on launch decisions, most of the research is based on the situation in large firms. There are thus still many blanks as to how SMEs approach the introduction and launch. Based on the characteristics of SMEs and the introduction theory described above we can, however, make some assumptions about which launch decisions are likely to be prevalent in SMEs. First of all, as described previously, the strategic part of the launch strategy is unlikely to receive much (conscious) attention in SMEs. Due to budget limitations SMEs are less likely to opt for mass marketing, and are probably more likely to target a niche market. As introducing a revolutionary product is associated with greater risks, both in new product development costs and in marketing, this too is a type of introduction that will probably be less common in smaller enterprises.

Tactical launch decisions are likely to receive more conscious attention. As SMEs are more likely to be followers they will probably have to use penetration pricing tactics. Promotion expenditure will be low due to budget limitations.

Practice

To attempt, to some extent, to fill the void in the knowledge on product introductions by SMEs, in-depth interviews were held with 12 SMEs in the food industry that had introduced new products in the last few years.

With the exception of very small firms, product introductions in these SMEs involved various persons or departments, indicating the importance of the introduction to the company. Not all SMEs made formal introduction plans though. Surprisingly there are few differences between smaller and larger SMEs in this respect.

The position of the product introduction according to SMEs

To identify how the interviewed entrepreneurs view product introductions they were asked what activities and decisions they associated with product introductions. To avoid guiding their answers by presenting them with terminology used in product introduction theory, they were given full freedom to answer this question in their own words. Their answers led to the following conclusions about the position of the introduction and launch in practice¹:

- The term introduction is often used for both introduction and launch.
- The selection of the new product idea is seen as an important part of the introduction. Individual strategic decisions associated with this choice are rarely mentioned.
- Quite often the product development itself is viewed as part of the introduction.
- The introduction starts either with the selection of the new product idea or when product development is finished.
- The conscious attention given to strategic decisions is limited. The same applies for many tactical decisions. To SMEs promotion is by far the most important tactical decision.
- The introduction is finished when the product meets the objectives set for the introduction.
- The formulation and execution of the launch strategy frequently overlap. Plans are made and adapted as the introduction takes place.

Tactical launch decisions

As it was expected that SMEs would be more inclined to pay conscious attention to tactical launch decisions than they were to give conscious attention to strategic launch decisions, they were asked to elaborate on these decisions. The following conclusions about the tactical launch decisions can be drawn from these answers:

- Products introduced are mainly application innovations and modifications of existing products.
- Promotion is primarily aimed at retailers, distributors, wholesalers or industrial customers. Promotion aimed at consumers is rare.
- Price is often based primarily on production costs.
- Almost all SMEs use current distributors for new product introductions.
- SMEs often time their introductions to coincide with the period of assortment adjustment of their customers (retailers, caterers). Others try to launch their products before specific holidays. There are, however, also some SMEs that give no consideration to timing and just launch the product when the development is finished.

Launch strategies?

Although the number of interviews held was too limited to identify statistically relevant strategies, there do seem to be two prevalent patterns in the way the SMEs in this sample handle the introduction:

¹ These conclusions are illustrated in the lower part of figure 1.

- SMEs that introduce a product as a result of a request made by a customer pay little conscious attention to the strategic part of the launch strategy. They rarely make formal launch plans and focus on the promotion of the product.
- SMEs that introduce products of their own accord pay more attention to strategy, looking mainly at product selection and development. They also commit their launch plans to paper more frequently than the first group, and pay attention to the pricing-strategy as well as to the promotion of the new product.

Conclusion

The central question of this study is:

'Does the way product introductions are handled by SMEs differ from the way product introductions are described in literature?'

The answer to this question is: yes it does, though this is mainly a difference in level of detail and focus.

Unconsciously SMEs do take many strategic and tactical decisions

Although some SMEs appear not to be conscious of all the strategic and tactical decisions they take, it does seem that unconsciously many of these decisions are taken during the process of product development and launch. The decisions associated with the introduction, however, are often not formalised in introduction plans.

Introduction covers more development stages and is not fully planned in advance

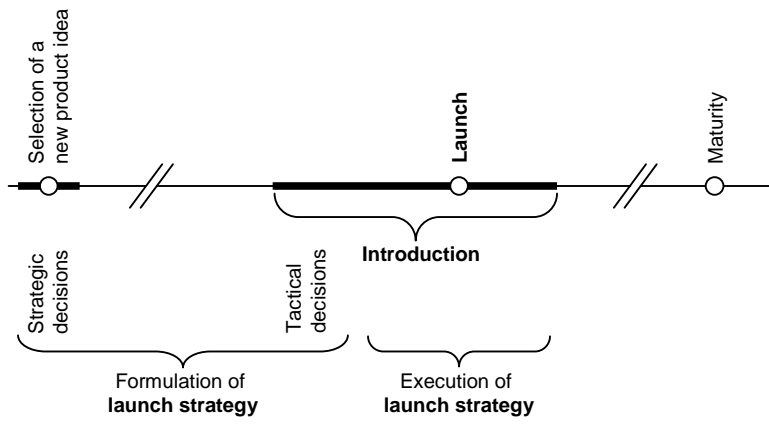
SMEs also often have a broader view of the introduction than presumed in literature (see figure 1), viewing the selection of the new product idea and product development as part of the introduction whereas, in theory, the introduction is not considered to start until product development is (nearly) finished. Although theory is not very specific on when the introduction ends, based on the information given above, it seems likely that in theory this phase ends if not at the launch, than shortly afterwards. According to most SMEs that participated in this study however, the introduction does not end until the objectives set for the introduction have been realised. The introduction phase thus stretches for a longer period and activities frequently overlap and are planned as the introduction moves along.

Further research required

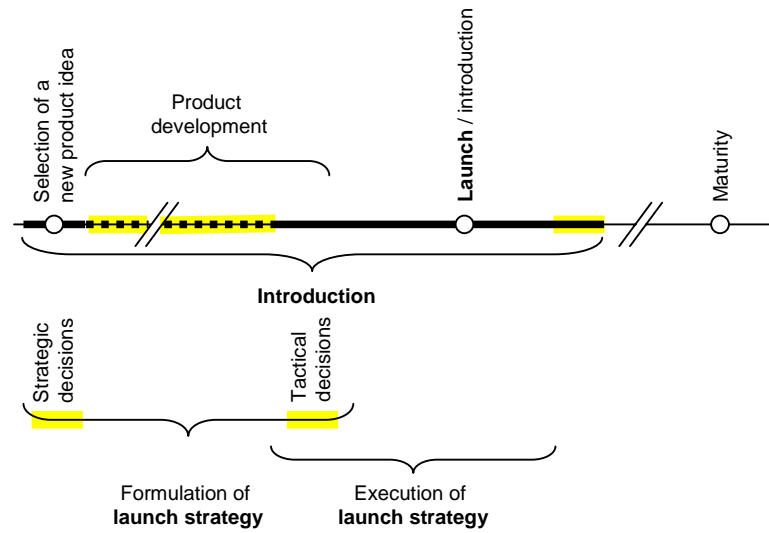
Although these findings offer a good indication of how SMEs deal with product introductions and how this differs from theoretical behaviour, when interpreting these research findings, we should bear in mind that only 12 SMEs in the food industry were interviewed and no large enterprises were included in this study. Therefore it is not possible to make a full comparison between large companies and SMEs. Due to the limited number of interviews, these assumptions can not be proven statistically. To do this, further research among a larger number of SMEs and large companies in various industries needs to be carried out.

figure 1 graphical overview of the position of the launch, introduction and launch strategy in theory and practice

Theory



Practice



Source: EIM, 2004.

1 Introduction

Importance of product introduction

For most enterprises new product development is essential to maintain or develop their competitive position. For new product development (NPD) to achieve this goal, the new product has to be commercially successful. The product introduction or launch is therefore one of the most critical stages in the new product development process. As Gultinan (1999) states 'the role of the launch stage is to maximize the chances of profitability achieving acceptance in the target market'. According to Urban and Hauser (1980) the full-scale launch of a new product is the phase of product development that commands the largest commitment in time, money, and managerial resources.

Not surprisingly therefore considerable research has been carried out in recent years on the subject of product introductions. These studies usually focus on success factors of launch strategies, the elements of an introduction strategy, or competitive reactions to product introductions. Most research is, however, limited to or strongly influenced by product introductions by large enterprises. Little research has been done on product introductions by small and medium sized enterprises (SMEs).

Differences between SMEs and large enterprises

There are however some important differences between SMEs and larger companies, when it comes to innovation. Firstly, resources are often limited in SMEs. Due to their smaller scale SMEs can not afford to take high financial risks. And small companies are less likely to employ specialist for product development and marketing.

SMEs usually pay little conscious or systematic attention to information gathering and strategy formulation. In SMEs, the analysis of trends and observation of market developments, needed for strategy formulation, is mainly a task of the managing director or the management team. The managing director, however, does not usually spend a great deal of time doing this. Nor do SMEs go about gathering information about market developments systematically. In 80% of SMEs in manufacturing industries the observation of market developments is left to chance (van de Graaff, 2003).

The use of innovation management techniques is also limited in SMEs. Less than a third of SMEs with fewer than 50 employees use techniques like benchmarking or SWOT-analyses for strategy formulation. And only about two thirds of SMEs with 50 to 100 employees do this (van de Graaff, 2003). For a great number of SMEs strategy is primarily based on the managing director's intuition and is often not formally defined. Although more than 50% indicate that continuous innovation is part of their strategy, only 20% have put their innovation plans down on paper (EIM, 2004).

SMEs and large companies also differ in the types of innovations they introduce. SMEs spend less time and money on formal R&D than large companies and therefore very rarely introduce fundamentally new products. Due to their flexibility, they are, however, better at developing new product-market combinations and adapting existing products to the demands of niche markets (Bernardt et al., 2001).

Research objective

In the light of these differences in the way innovation is handled, it seems likely that SMEs will go about product introduction in a different way to large companies, simply because their situation is different. Current theory on product introductions might thus

not be fully applicable to SMEs. Therefore the differences between current theory on product introductions and practice in SMEs are explored in this study.

Research questions

This study aims to provide insight into the way product introductions are handled in small and medium sized enterprises. The central question therefore is:

'Does the way product introductions are handled by SMEs differ from the way product introductions are described in literature?'

This question can be divided into the following research questions:

- 1 What is said about product introductions in the available literature?
- 2 How are product introductions handled by SMEs in practice?
- 3 What are the differences between theory and practice?

Outline of this report

In chapter 2 we start of by giving a brief overview of scientific knowledge on the subject of product introductions, looking at the actions and decisions associated with introducing a new product, when these actions and decisions are taken and what factors can influence these decisions. This will answer the first research question: 'What is said about product introduction in the available literature?'.

The practical findings derived from face-to-face interviews with 12 SMEs in the food industry are described in chapter 3, giving an exploratory answer to the second research question: 'How are product introductions by SMEs conducted in practice?'.

Chapter 4 concludes this report by discussing the differences between theory and practice.

2 Product introduction in theory

2.1 Introduction

This chapter gives an overview of the current scientific insights on product introduction, thereby answering the first research question: 'What is said about product introductions in the available literature?'

The following aspects of product introductions are described in this chapter:

- 1 Actions and decisions comprising an introduction (§2.2)
- 2 Factors influencing the introduction (§2.3)

Whenever possible, conclusions are drawn about the implications for product introductions in SMEs. These implications for product introduction by SMEs are summarised in paragraph 2.4.

2.2 Actions and decisions comprising an introduction

In literature both introduction and launch are used to indicate the process of setting a new product on the market. There does not seem to be total consensus on when to use which term. The following definitions however seem to be most common:

- launch: the first actual moment the new product is placed on the market and the customer is informed about the new product.
- introduction: the phase in the marketing life-cycle of a new product, in which the launch is planned and preparations for the launch are made.

A launch strategy is set up prior to the launch. Green and Ryans (1990) state that this launch strategy comprises the actions that determine the initial positioning of the product in the market place. Hultink (1997) defines the launch strategy in similar though more specific terms. According to Hultink the launch strategy describes those marketing decisions that are necessary to present a new product to its target market, and to begin to generate income from sales of the new product. Hultink divides these marketing decisions in strategic decisions and tactical decisions, thereby endorsing Biggadikes' (1979) view on launch strategy decisions. This division into strategic and tactical decisions seems to be common among researchers of this subject. Most researchers either use this division, or divide the launch strategy in some way that can easily be translated into strategic and tactical decisions¹. Therefore this division in the strategic and tactical decisions will be used in this project.

2.2.1 *Strategic launch decisions*

Strategic decisions are taken early in the project, before the actual launch takes place. Such decisions are difficult or expensive to change later in the project (Hultink et al., 1998). The strategic introduction decisions are strongly linked to the company's overall strategy and product planning, and include all decisions associated with strategic new product planning, including decisions about the newness of the product and market

¹ One of the exceptions is Di Benedetto (1999) who identifies an additional, third, type of activity in planning a launch strategy; information gathering activities (market testing, customer feedback, advertising testing, etc.).

acceptance. According to Hultink (1997) strategic launch decisions can be distinguished as being: product strategy, market strategy, and firm strategy. An overview of strategic decisions, belonging to each of these aspects, is given in table 1.

As SMEs usually do not pay much formal attention to strategy formulation in general, it is likely that these strategic launch decisions, will not receive much attention either.

table 1 overview of strategic introduction decisions

Strategic introduction decisions

Product strategy

- product features
- relative product innovativeness/relative product newness
- new product development cycle time
- product quality/uniqueness

Market strategy

- targeting strategy/scale of market entry
- market growth rate (growth market vs. mature market)
- stage of the product life cycle
- market competitiveness (niche vs. mass market)

Firm Strategy

- new product development driver (technology driven vs. market driven approach)
- timing strategy
- objectives

Source: EIM, 2004, based on Hultink (1997), Hultink et al. (2000) and Guiltinan (1999).

2.2.2 Tactical launch decisions

Tactical decisions are made relatively late in the project and can be easily or inexpensively modified later in the project (Hultink et al. 1998). As for strategic decisions, there does not seem to be total consensus about the interpretation of tactical decisions. Most authors say this set of decisions is associated with the general roles of the different aspects of the marketing mix (Calantone and Montoya-Weiss, 1993; Hultink, 1997): product, promotion, pricing, and distribution.

An overview of the decisions, associated with each of these aspects, is given in table 2. The tactical launch decisions deal with the more 'hands' on aspects of the launch. It is therefore likely that these decisions will receive more deliberate attention in SMEs.

table 2 overview of tactical introduction decisions

Tactical introduction decisions

Product

- breadth of product assortment
- branding

Distribution

- shows and demonstrations
- technical support
- distribution structure
- intensity of coverage
- distribution incentives

Pricing

- relative price level
- pricing strategy, skimming vs. penetration

Promotion

- promotion expenditures
- marketing communications instruments
- advertising
- coupons
- publicity/educational campaigns
- sampling
- reference test sites

Timing

- fast vs. slow deletion of old products
- whether to pre-announce

Source: EIM, 2004, based on Hultink (1997) and Guiltinan (1999).

As stated in the introduction of this report SMEs often do not formalise plans and strategies associated with innovation by writing them down. The launch strategies devised by SMEs are thus likely to be informal plans, which exist mainly in the minds of the persons responsible for the launch.

2.2.3 *The product introduction as part of the development process*

Very few studies mention when and how decisions related to the introduction strategy are taken, or when exactly companies should commence with the development of the introduction strategy. In the available literature on innovation and product development there are, however, various models of the new product development process, of which some explicitly name the launch, while others give an indication of the stage in the development process at which activities related to the launch or launch strategy should be undertaken.

In most traditional and commonly used models, such as the activities stage model by Booz, Allen and Hamilton (1982) and the model used by Crawford and Di Benedetto (2003), the development process is presented in a strictly sequential way. Not surprisingly, the first stages of these models are usually related to product selection and strategy formulation (strategic launch decisions), while marketing or launch are often viewed as the final stage of the development process, indicating that tactical launch decisions should be taken towards the end of the development process.

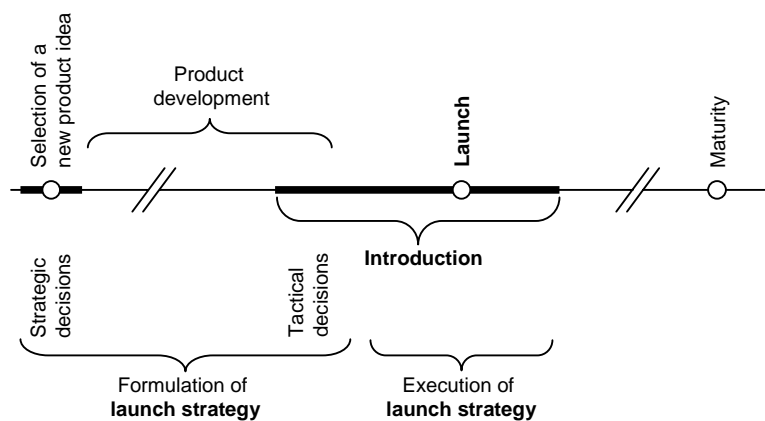
Some other models present a more integrated view of the product development process. The model of the product innovation process presented by Roozenburg and Eekels (1991) for example is characterised by the parallel execution of production development, product designing and marketing planning. This would imply that tactical launch planning should be done in parallel with technical development.

Based on the division of the launch strategy into strategic and tactical decisions and the various models of the product development process, we reach the following conclusions about the position of the launch, introduction and launch strategy:

- The launch occurs some time after product development is finished
- The introduction starts towards the end of the product development process and ends at, or shortly after, the launch.
- The formulation of the launch strategy starts around the time of the selection of a new product idea and ends shortly before the launch at which point the execution of the launch strategy starts. Strategic decisions are generally taken when the new product idea is selected and tactical decisions are taken when product development is (nearly) finished.

A graphical overview of these findings is given in figure 2.

figure 2 graphical overview of the position of the launch, introduction and launch strategy in theory



Source: EIM, 2004.

2.3 Factors influencing the introduction

This paragraph gives an overview of factors influencing the design of the launch strategy. Some of these factors are associated with strategic choices made in the new product development process, such as product strategy (product advantage, relative newness) and market strategy (market newness, industrial versus consumer market). Other influencing factors are related to the characteristics of the company that introduces the new product (sector of industry, company size).

2.3.1 *Product related influencing factors*

The first main strategic launch decision is what product to introduce. Most studies focus on product newness or relative innovativeness in relation to the influence of product strategy on the launch strategy

High relative product advantage associated with well planned introductions and higher promotional and distributional expenditures

One important aspect of a new product being introduced, is the *relative product advantage*. This term has been defined by Cooper (1979) as the degree of unique benefits not previously available, the extent to which customer needs are better satisfied, the product's relative quality and innovativeness, and the extent to which the new product solves customer problems better. According to Hultink and Hart (1998) products with high relative advantage are usually well planned where objectives, timing of market entry and the selection of target markets are concerned. They also have higher levels of promotional and distribution expenditures, make a bigger entry with a broader assortment, and use a broader mix of promotional types.

Product newness influences many aspects of the launch strategy

Related to the relative product advantage and another basic choice in new product development is the *product newness*. The choice to be either a pioneer or a follower holds many implications for the market strategy, firm strategy, pricing and promotion. Really new products (pioneers) are usually targeted at innovative adopters and are more likely to use a skimming pricing tactic, while followers may target later adopters and will have to use a penetration pricing tactic (see table 3 for an overview of these and other implications of product newness).

Characteristics of follower launches likely to be found in SME launches

In general SMEs are more likely to be followers than pioneers (except for a small number of highly innovative SMEs). SMEs usually have lower R&D budgets than large companies and can not always afford to take the greater financial risks associated with being a pioneer. Based on the information presented above this implies that the implications of being a follower, as described in table 3, are probably also applicable to SMEs. so that, for example SMEs are more likely to target later adopters than they are to target innovators and are likely to have to use penetration pricing tactics.

table 3 implications of being a pioneer or a follower on the launch strategy

<i>Pioneers</i>	<i>Followers</i>
Strategic launch decisions	
<i>Market strategy</i>	
<ul style="list-style-type: none"> - targeted at innovative adopters (1, 2) - more attention is paid to targeting (2) - are in an earlier stage of the product life cycle, smaller number of competitors/lower market concentration ratio (3) - are introduced in markets where potential buyers show lower satisfaction with existing products (3) - tend to be positioned mainly on the basis of their technological superiority, with some emphasis being placed upon special applications and a safe bet image (2) 	<ul style="list-style-type: none"> - may target the later adopters (1, 2) - more emphasis placed on targeting competitors' customers (2) - tend not to try to make their products exclusive, technologically superior or aim for a special application (2)
<i>Firm strategy</i>	
<ul style="list-style-type: none"> - more diversification oriented (3) 	<ul style="list-style-type: none"> - more expansion oriented (3)
Tactical launch decisions	
<i>Pricing tactics</i>	
<ul style="list-style-type: none"> - more likely to use a skimming-pricing tactic (4) 	<ul style="list-style-type: none"> - will have to use a penetration-pricing tactic (4)
<i>Promotion tactics</i>	
<ul style="list-style-type: none"> - aimed at increasing awareness, e.g. by releasing pre-launch information (2) - must stimulate adoption and lead to diffusion (1) - use more direct selling (3) 	<ul style="list-style-type: none"> - tend not to use opinion leaders, reference sites, educating methods, or even a winner image (2) - must stimulate trial purchase as a precursor to adoption (trial and repurchase) (1)

Source: EIM, 2004, based on various authors:

- 1 Guiltinan, 1999 (conceptual study, not empirically proven)
- 2 Beard & Easingwood, 1996
- 3 Yoon and Lilien, 1985
- 4 Everdingen et al., 1998.

2.3.2 Market related influencing factors

One of the strategic launch decisions that will have to be made is the choice of the market in which to introduce the new product. Will the new product target a new market or an established market? Will it be introduced on an industrial or a consumer market? These decisions hold many implications for the rest of the launch strategy.

In new markets more attention is paid to positioning

A launch strategy used to introduce a product to a *new market* will usually differ significantly from a launch strategy used in an established market. As Calantone and Montoya-Weiss (1993) say 'When a product is new to the market, the launch is much more of a special event because of the entrenched status quo attitude that has to be overcome. The new product needs a splash in order to get the attention it deserves.'

In relation to market newness Beard and Easingwood (1996) state that in new markets little significance is attached to market preparation and targeting tactics. Instead marketers who launch new products into new markets have concentrated on positioning their products on the basis of technology and application-specific attributes.

In technological markets, positioning is based on tangible characteristics

Beard and Easingwood (1996) also find that the way a new product is positioned depends on the characteristics of the market chosen to which the product to be introduced. In highly technological industrial markets, positioning is viewed mainly on the basis of tangible (technological) rather than intangible characteristics. For less technologically informed markets and for markets in which the benefits of the new technology are not easily differentiated from those of competitors, positioning characteristics tend to be more intangible (e.g. image).

Product tests are an important part of introduction in industrial markets

Based on the many differences between *industrial and consumer markets* one can expect to find differences between the relevance of the various launch decisions for each of these markets and so find differences in the launch strategies used. In many industrial markets for instance it is quite common for the first product to be sold before it has been fully developed and tested in daily operations. The product introduction thus overlaps the testing stage. The results of these product tests are very important for industrial products, because of the conservative nature of many industrial markets (Lucas and Bush, 1984). Another example is given by Hultink et al. (1997), who state that mass marketing strategies are less appropriate for industrial markets.

Differences between industrial and consumer markets are mainly related to tactical decisions

A more elaborate description of the differences between new product launches for consumer products and new product launches for industrial (b-to-b) products, is provided by Hultink et al. (2000). They find that the strategic decisions differences are of degree rather than of principle, with consumer products for instance, more often being new lines/additions to lines and industrial products more often being completely new improvements or cost reductions. Differences in tactical decisions on the other hand are more distinct. Consumer products for example consider printed advertising and tv and radio advertising more important, whereas for the promotion of industrial products companies are more inclined to use personal selling and direct marketing.

Market related influencing factors are not unique to SMEs

SMEs are present in both industrial and consumer markets, and introduce products on both new and existing markets. Also the differences in launch strategies associated with operating on these two types of markets are not unique to SMEs. Market related influencing factors therefore do not offer much information about what launch strategies are most likely to be used by SMEs.

2.3.3 *Company related influencing factors*

Two factors that influence the launch strategy on which a company has little influence because they are inherent to the company itself, are the sector of industry in which the company operates and the size of the company.

Little is known about the influence of the sector of industry

When looking at the *sector of industry* the main division is the distinction between service sectors and manufacturing sectors interesting information can be obtained from Cooper and De Brentani (1991) They state that many of the success factors for new industrial services are closely parallel to those found in studies of manufactured products. Differences in the lists of success factors for manufactured and financial products were more in terms of rank order or relative importance. The success factor of having a unique superior product is, for example, the first most important success factor for manufactured products, but this is the fourth most important success factor for financial products. There are thus no large differences in success factors for new products introductions and or new service introductions. Whether this means that there also are few differences between the launch strategies used in these sectors is however questionable. We are not aware of any scientific study that investigates these differences.

Differences between small and large firms related to information access and availability of marketing resources

Differences in launch strategy related to *company size* start with the information input for the development of the launch strategy. Resources for market intelligence generation are scarce in small firms (Verhees and Meulenber, 2004), and market intelligence is based mostly on secondary data or on personal contacts (Smeltzer et al., 1988). From this we might conclude that the information received as input for a new product launch is ad hoc rather than systematic. The same seems to apply to the strategic approach to new product development and launch. Beard and Easingwood (1996) have the following to say about this: 'The strategic approaches in the high-tech environment can be distinctly ad hoc (Mintzberg and McHugh, 1985), especially when small firms are marketing very advanced technologies (Bahrami and Evans, 1989). There appears to be little or no attention paid to planning.

In addition marketing resources are usually limited too. Due to these limited resources, small firms are presumably less likely to use mass-marketing strategies. One way small firms try to make the most of these limited marketing resources is by positioning their product for organizations likely to be heavy users (Beard & Easingwood, 1996). This tactic, however, seems to have a catch as heavy users tend to make heavy demands regarding the information used in the purchase decision making process.

All in all we can state that the differences between launch strategies used in SMEs and the strategies used in large companies, seem to be related to the:

- limited access to information for SMEs,
- limited resources of SMEs.

2.4 Conclusion

Although some researchers have looked at the influence of firm size on launch decisions, most of the research is based on the situation in large firms. There are thus still many blanks as to how SMEs approach the introduction and launch. Based on the characteristics of SMEs and the research findings described in this chapter we can, however, make some assumptions about what launch decisions are likely to be prevalent in SMEs (see table 4). First of all the strategic part of the launch strategy is unlikely to receive much (conscious) attention in SMEs. Due to budget limitations SMEs are less likely to opt for mass marketing and are probably more likely to target a niche market. As introducing a revolutionary product is associated with greater risks, both in new product development costs and in marketing, this too is a type of introduction that will probably be less common in smaller enterprises.

Tactical launch decisions are likely to receive more conscious attention. As SMEs are more likely to be followers than pioneers, they will probably have to use penetration pricing tactics. Due to budget limitations promotion expenditures will be low. Table 4 gives an overview of the assumptions that can be made about introductions in SMEs based on the information given in this chapter. These assumptions will be evaluated in chapter 3 by comparing them with the results of interviews held with a selection of SMEs.

table 4 launch decisions expected to be prevalent in SMEs

<i>Strategic launch decisions</i>	<i>Based on</i>	<i>See paragraph</i>
<i>General assumptions</i>		
- Strategic launch decision are not likely to receive much conscious attention		2.2
- Information input for launch strategy is likely to be distinctly ad hoc	5,6	2.3.3
<i>Product strategy</i>		
- More likely to be followers than pioneers		2.3.1
<i>Market strategy</i>		
- May target later adopters	1,2	2.3.1
- Place more emphasis on targeting competitors' customers	2	2.3.1
- Less likely to use mass-marketing strategies		2.3.3
- Frequently position their product for organizations likely to be heavy users	2	2.3.3
- Will tend not to try to make their products exclusive, technologically superior or aim at a special application	2	2.3.1
<i>Firm strategy</i>		
- Are more likely to be expansion oriented than diversification oriented	3	2.3.1
<i>Tactical launch decisions</i>		
<i>General assumptions</i>		
- Tactical launch decision are likely to receive more deliberate attention in SMEs than strategic launch decisions		2.2
<i>Pricing tactics</i>		
- Penetration pricing tactics will often have to be used	4	2.3.1
<i>Promotion tactics</i>		
- Are likely to have lower promotion expenditures (marketing resources are limited)		2.3.3
- Are likely to tend not to use opinion leaders, reference sites, educational methods or even a winner image	2	2.3.1
- Are likely to have to stimulate trial purchase as a precursor to adoption (trial and repurchase	1	2.3.1

Source: EIM, based on various authors:

1 Guiltinan, 1999 (conceptual study, not empirically proven)

2 Beard & Easingwood, 1996

3 Yoon and Lilien, 1985

4 Everdingen et al., 1998

5 Smeltzer et al., 1998

6 Verhees and Meulenber, 2004.

3 Product introduction in practice

3.1 Introduction

In the previous chapter an overview was presented of the current scientific knowledge on the subject of product introductions. As expected this does however not include much information on product introductions by SMEs.

The following questions concerning product introductions by SMEs are left unanswered in the available literature, and will be discussed in this chapter:

- How do SMEs approach product introduction? (§3.2)
- How do SMEs define product introduction, and which decisions and activities do they associate with product introductions? (§3.3)
- What activities do SMEs incorporate in their own introductions? (§3.4)

In depth interviews with entrepreneurs

In depth interviews were held among SMEs in the food industry to find answers to these questions. The food industry was selected because it is there that most research on product introductions has been done. And so studying SMEs in the food industry makes it easier to compare the research results with existing theoretical knowledge.

Characteristics of the selected enterprises

In total 12 interviews were held. Five of these interviews were held with companies operating on an industrial market and seven with companies operating on a consumer market. Half these companies employed 50 persons or less and the other half employed between 50 and 100 persons.

For these interviews, Companies were selected that had introduced at least one new product in the last few years were selected. For these firms, as for most food-manufacturers,, innovation is a very important tool to satisfy customers' expectations. The main objectives for innovation being: realising increased sales volume and maintaining or reinforcing the competitive position. Innovation is thus often incorporated in the company's strategy.

This, however, does not apply to all the companies in this sample. Formalised innovation plans are rare among these firms. Innovation is a rather ad hoc process and the plans for innovation exist mainly in the minds of those responsible. Thus it is not surprising that products are often introduced as result of a request or suggestion made by a customer. This is mainly the case in the smaller companies in this sample that operated on an industrial market. Competitor's activities too, are frequent incentives for innovation. The products that were discussed in these interviews were therefore mainly incremental innovations.

Type of new product introductions

Most of the new products were new flavours/recipes and/or new packaging, which is common practice in SMEs in the food industry (De Jong and van de Graaff, 2004). Application innovations and modifications of existing products constitute the greater part of product innovations.

Most of the products were introduced on existing markets. A few products were aimed at new target groups or were repositioned. Among those that operated on an industrial market there were both companies that supplied ingredients and semi finished products

to other food manufacturers and companies that acted as suppliers to the catering industry. Some of the companies operating on a consumer market distributed their products through specialist shops and thus targeted niche markets. The other manufacturers of consumer products distributed their products through supermarkets. However, these companies too aimed at niche markets within the supermarket assortment. They positioned their products in areas where the competition was still limited.

In the interviews the entrepreneurs were given the freedom to describe the decisions and activities they associated with the product introduction in their own words. The information obtained through these interviews about the way SMEs handle the introduction is presented in this chapter. Each of the following paragraphs answers one of the questions presented previously.

Due to the limited number of interviews the information presented here can be viewed only as an indication of the way product introductions are handled in SMEs. The conclusions drawn in the following text were not statistically verified. Further research among a larger number of SMEs is needed to verify these conclusions.

3.2 How do SMEs approach product introduction?

For a full understanding of how product introductions are handled in SMEs it is necessary not only to know what is done to introduce the new product to the market, but also how this is done. Who is involved? Are there any formal introduction plans? And is the introduction tested in advance?

Product introduction frequently involves various departments

The introduction of a new product has consequences for many aspects of operation. Therefore often many departments or persons are involved in the launch decisions. Departments that are frequently said to be involved are: management, product development, marketing and sales and production. In the smallest SMEs however the introduction is mainly a management affair, as management usually takes care of all or most of these activities.

- 'It's a starting company, so in fact only the two partners are involved.'
- 'Primarily the product manager and the commercial director. Apart from that the following departments: production, sales, purchasing and accounting.'
- 'When developing a new product a project group is formed consisting of staff members from product development, application, marketing and sales. This group convenes regularly to evaluate the status of the project.'

Some companies make formal introduction plans, some don't

It seems that SMEs are more inclined to make formal introduction plans than that they are to make formal innovation plans. The group of companies in the sample that does make formal introduction plans is only slightly smaller than the group of companies that does not. The scope of these plans varies considerably. Some companies make a plan on one sheet of paper, others have detailed plans for both product development and marketing.

There are few differences between the smaller and larger SMEs in the sample in this respect. This is remarkable as in larger SMEs often more persons are involved in the introduction, making it more likely for a firm to feel the need for an introduction plan to coordinate activities.

Never the less, writing plans down is likely to help both smaller and larger SMEs to deal with the introduction in a more deliberate manner, forcing those involved to make conscious choices, thus stimulating the firm to look for ways to improve their chances of a successful product introduction.

Companies, that introduced a product as a result of a request or suggestion made by a customer, less frequently made formalised introduction plans than companies that introduced new products as a reaction to competitors' behaviour or a desire to innovate. This was to be expected as these companies also pay less attention to strategic decisions associated with the launch.

- 'I make a plan in my mind. I don't put this on paper. As a small entrepreneur you do everything yourself, so you are the only one who has to know about these plans.'
- 'A plan is made on one sheet of paper. Included in this plan are: the concept, the costs, the time path, division of tasks and appraisal.'
- 'We write two plans for an introduction. The first plan looks at the introduction from an innovation angle and deals with the technical development: desired flavour, size, packaging, storage life, equipment possibilities, planning consumer research, and intended launch date. All this is included in a time schedule with go/no-go decisions. The second plan is a marketing plan which looks at the introduction from a commercial perspective: analysis of the market, competitors, market potential, marketing mix (assortment, price, promotion), market tests, feedback moments and go/no-go decisions.'

The written introduction plans that are made are usually based on previous experience and/or information about the environment that is encountered by chance.

- 'Such a plan is based on your own ideas and things you encounter by chance.'
- 'The introduction plan is based partly on signals from customers, but mostly on international press reports.'

Launch is rarely tested

The launch as a whole is rarely tested before the product is actually introduced to the market. Five companies do indicate carrying out some kind of market research. Aspects of the introduction that are tested are packaging and price. The firms in this sample, however, do frequently carry out technical product tests related to quality or food safety for example. One company combines market research and promotion by involving the customers in the product optimisation.

- 'Testing is minimal. We rely on experience and intuition.'
- 'For really new products flavour appreciation and price are tested.'
- 'Quality tests are carried out. Apart from that the introduction isn't tested.'

3.3 Product introduction defined by entrepreneurs

To identify how the entrepreneurs that were interviewed viewed product introductions, they were asked what activities and decisions they associated with product introductions. To avoid guiding their answers by presenting them with terminology used in product introduction theory, they were given full freedom to answer this question in their own words.

Their answers are discussed in this paragraph linking them to the theoretical division between strategic and tactical decisions.

Little conscious attention is paid to strategic decisions

As was expected most of the SMEs that participated in this study are really aware of the strategic decisions they make in relation to the product launch. When asked what decisions and activities they associate with the introduction of a new product, some strategic decisions were mentioned, but at a rather low level of detail. Most companies only mentioned the selection of the new product idea. Some companies elaborated on this by saying that this included studying the competition, or selecting the target group. But generally the strategic decisions that are associated with the selection of a new product are not mentioned individually.

Attention for strategic decisions seems to be associated with firm size and the cause of the introduction

The attention for strategic decisions seems to be associated with firm size. The larger SMEs in this sample mentioned strategic decisions more often than the smaller SMEs. Another fact that influences the attention paid to strategic decisions seems to be the reason for the introduction. Companies that introduced new products as a result of a request or suggestion made by a customer, rarely mention strategic decisions, for example they rarely mention the selection of the new product idea. In cases where competitors' activities instigated the product introduction, the SMEs do mention the selection of the new product idea. A logical explanation for this difference is that most of the strategic decisions have already been taken when acting in response to a customer's request, while companies selecting a new product idea of their own accord still have to deal with the strategic decisions themselves.

Product development often mentioned as part of the introduction

Product development and launch seem to be intertwined in the SMEs that participated in this study. In addition to the selection of the new product idea, the development of the new product is mentioned quite often as being part of the introduction. The fact that these SMEs view product development as part of the introduction might be related to the limited conscious attention that is given to strategic decisions. Many strategic decisions are probably unconsciously taken during the new product development process itself, making the development process a much more important part of the introduction. Furthermore in SMEs many tasks associated with product development and introduction are performed by the same person(s). The distinction between the various stages in the marketing life cycle (product selection, development, introduction, maturity) are therefore often not very clear-cut.

However companies that react to a request or suggestion made by a customer do not seem to view the development of the product as part of the introduction. One reason for this could be that some of these companies develop the product for one customer and afterwards try to market it on a broader scale. So for these companies the introduction does not really start until the product is finished.

- 'We identify the following internal introduction activities: 1) Identifying the need for a new product. 2) Discussion with the commercial director to judge if there is sufficient support for the new product. 3) Discussion with the technical staff about the technical feasibility. 4) Development of the physical product. 5) Discussion about packaging. Externally these decisions and activities involve informing and motivating the buyers to choose this product. This starts after the commercial director has given his approval. That is when the four marketing P's are dealt with: Product (has already been dealt with in the internal part), Place, Price and Promotion.'
- 'The introduction is always conducted in the same manner. We have six big customers that might buy this type of product. They are always involved in the optimisation of the product (flavour, colour, substance) and then they incorporate the product in their own products. There is hardly any effort involved. Whenever we have contact with our customers, we tell them what we are working on.'
- 'Most important is that the introduction has to fit the company's strategy as regards positioning and market approach, technical feasibility and investment in relation to market potential. Decisions should be taken about the product and product development as well as about marketing. It is important that product development and marketing take place in parallel, to prevent situations in which a company would for example invest in production facilities, although trading partners were not interested.'

Promotion is by far the most important tactical element of the launch

Next to product selection and development, marketing plays an important role when introducing a new product. According to the SMEs that participated in this study, marketing mainly involves the promotion of the new product. The other elements of the marketing mix play a considerably less important role. Only three of the companies in the study spontaneously mentioned decisions associated with price. And only one company mentioned distribution decisions as decisions associated with the launch.

Companies that mentioned one or more strategic decisions also more often mentioned price as one of the launch decisions than those that did not include strategic decisions in their description of decisions and activities associated with the launch. Apparently these companies hold a broader view of the introduction, this applies for strategic as well as tactical decisions.

The fact that distribution is not often mentioned is not surprising. Most product introductions discussed in the interviews were incremental innovations, making changes in distribution methods less likely, and distribution decisions less relevant to the introduction. That price was mentioned so little, is surprising though, in a sector where price is currently such a big issue¹. However the fact that the products concerned are mainly incremental innovations could be of influence.

- 'The introduction means: making decisions about the viability of the product, if the products meets the requirements, and about the price-quality relationship. Apart from that the introduction is about informing the buyers.'

¹ Reference to the price war in the Dutch supermarkets that started in 2003.

Different opinions about the starting point and end point of the introduction

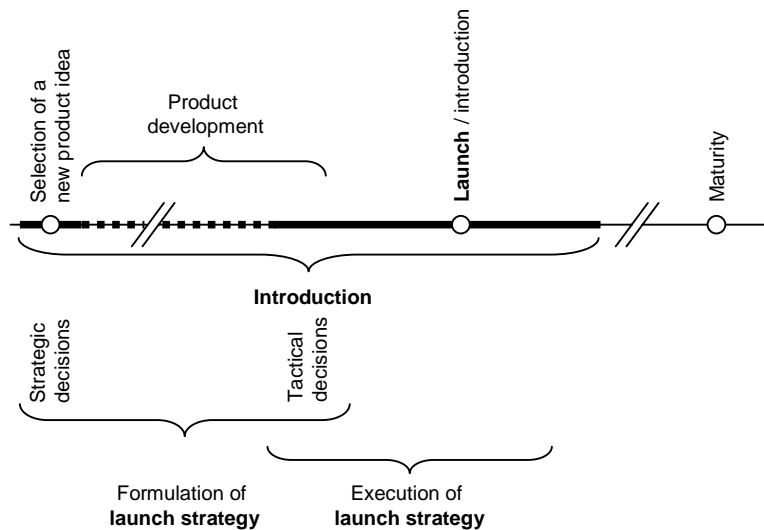
As many companies in this study rate the product development among the introduction activities and decisions, the decision to introduce the new product is often viewed as the starting point of the introduction. However not all SMEs share this view. Some of these companies believe, that the introduction does not start until the product is finished and ready to be marketed. Even some of the companies that consider product development to be part of the introduction share this view.

There is more agreement on the end point of the introduction than on the starting point. Various formulations were used, but they all come to the same conclusion that the introduction is finished when the product meets the objectives the company has set for the introduction. These objectives can be related either to turnover or to distribution coverage or market share, all of which may be some time after the launch.

This may indicate that the introduction plan or launch strategy is not completely formulated prior to the launch, but is adapted or developed as time passes. The introduction (or launch¹) therefore may last longer. SMEs do not often seem to launch new products with a big splash, but introduce their products gradually.

Figure 3 presents a graphical overview of the position of the launch, introduction and launch strategy in practice as derived from the information presented above.

figure 3 graphical overview of the position of the launch, introduction and launch strategy in practice



Source: EIM, 2004.

Companies operating on an industrial market more often indicated that they perceived the selection of the product idea to be the starting point of the introduction than those companies operating on a consumer market. For most of the companies in this sample

¹ In practice the term introduction is often also used to indicate the launch.

that operated on a consumer market, the introduction does not start until the product development is finished. This could mean that in consumer markets the focus is more on tactical decisions than it is in industrial markets. Whether this is true needs to be verified by further research.

- 'The introduction lasts from the moment the decision to develop the product is made until it is distributed with fair distribution coverage.'
- 'The introduction takes place after the product is finished. The introduction ends when the distribution percentage is deemed sufficient.'
- 'The introduction doesn't start until the product is fully developed. The introduction is finished when sales are going well. Whether sales are considered to be going well or not depends on the market share, you set goals for this beforehand.'

3.4 Which activities do SMEs incorporate in their introductions?

As it was expected that SMEs would be more inclined to pay conscious attention to tactical launch decisions than they were to pay conscious attention to strategic launch decisions, they were asked to elaborate on these decisions. What was the composition of the marketing mix?

Promotion is rarely aimed at the consumer

As stated before promotion plays an important role in the launch of a new product. Promotion in SMEs shows great variation, but is rarely aimed directly at the consumer. Promotional budgets are usually limited and do not support advertising or other promotional activities aimed at consumers. The promotional activities are mostly aimed at retailers, distributors, wholesalers or industrial customers.

By aiming the promotional activities at retailers and other distributors, convincing them to sell the product, means that these firms reach a large group of consumers in a very cost effective way. Personal sales methods thus play an important role. Promotion often takes place during normal contact with the clients, but presentations at trade shows are not uncommon. Some companies organise their own meetings to inform the clients about their new products.

The smaller companies in this sample seem to rely on personal sales methods like trade shows and presentations more than the larger SMEs. that more frequently use more anonymous sales methods such as mailings and advertisements. This is probably related to the number of customers. Larger companies are likely to have more customers, making mailings and advertisements worthwhile. For small firms with a limited number of customers a more personal approach is usually more effective. Although promotional budgets are, as mentioned, limited some SMEs were remarkably creative in their promotional activities. One SME for instance managed to be invited to give a presentation of its product on a television show at no cost to the company.

- 'We organised a promotion in the local supermarket and at a playground. Apart from that we participated in a trade show.'
- 'Little is done to promote the product, and never aimed at the consumer. That's too expensive. We do have introduction discounts for retailers and advertisements are placed in trade journals and the account manager promotes the product.'
- 'We have no out-of-pocket expenditure for promotion: no advertisements etc. The product is just introduced by the sales staff. This means that it mostly comes down to personal sales.'

Price is often based primarily on production costs

The price is explicitly mentioned only a few times as one of the introduction decisions. Most of the SMEs in the sample based the price primarily on the production costs. During product development some companies however keep the price expectations of the customer and prices of competitive products in mind. Others indicate that profit margins are dependent on the reason for the product introduction. One company indicated that the price was primarily based on competitors' prices.

It is notable that in this sample only companies that mentioned pricing decisions of their own accord, looked at external factors when determining the price. The companies that did not mention pricing decisions of their own accord all based the price on the production costs.

This limited attention to price might be related to the fact that the new products discussed were mostly incremental innovations, making it easier to build on previous experience. Never the less SMEs that deal with price-setting decisions in a more deliberate manner, might be able to achieve better results, especially in such a price conscious sector as the food industry.

- 'Pricing depends on production costs, debits, overheads etc. On top of that we add a profit margin. This margin depends on whether we develop the product at the request of a customer or on our own initiative. Volumes influence prices too. Sometimes prices for steady customers become negotiable after a year and can be dropped.'
- 'The prices are usually set based on the price expectations of the customer and based on market tests. The maximum production cost is deduced from that. New products are sold at a higher price than imitating products.'
- 'The price is based on the cost price of the ingredients, production, distribution and margin. Price setting based on competitors' prices isn't possible, there aren't really any competitors.'

Almost all SMEs use current distributors for product introductions

The choice of the distribution type and the decisions associated with that, do not seem to play any significant role in the introduction by the companies that participated in this study. All the companies that participated used existing distribution channels to distribute the new product.

This was to be expected, as most products were incremental innovations. Apart from that the food sector itself places quite a few demands on distribution, the extent to which many food products are perishable, for example, could make changing distribution methods a complicated business.

- 'We always use the same distribution channels. The clients are the same, so the distribution method is too.'
- 'We use the existing distribution channel. We didn't pay any specific attention to the choice of the channel. All we did was explain the benefits of the new product to the wholesaler's purchaser.'

SMEs often time their introductions to coincide with their customers' period of assortment adjustments

Although none of the companies explicitly mentioned timing as one of the introduction decisions, after some probing the timing of the launch did prove to be important in many introductions. SMEs often time their introductions so they coincide with their customers' period of assortment adjustment (retailers, caterers). Others try to launch their products prior to specific holidays. There are, however, also some SMEs that do not take timing into account at all and just launch the product when the development is finished.

Not surprisingly most of the companies that introduced a product as a result of a request or suggestion made by a customer indicated that timing was not important. Only the larger SMEs in this sample (50 to 100 employees) indicated that the timing of the launch depended on a specific date or period. As the smaller SMEs generally operated on much the same markets as the larger SMEs, there might be room for improvement in this respect.

- 'We take into account when the supermarkets adjust their assortments.'
- 'We didn't think about the timing. When the development was finished, the product was simply presented to the e wholesalers 'purchaser.'
- 'Apart from special dates like Christmas or other holidays, when we sometimes introduce special flavours, dates or seasons do not determine the timing.'

3.5 Conclusion

From the information presented in this chapter we can conclude that product introductions are very important for the SMEs in this sample. The conscious attention given to both strategic and tactical decisions is limited. The SMEs in this sample however rarely used formalised plans or deliberate strategies for their introductions. This does not exclude the possibility that they do unconsciously use certain strategies. The number of interviews held is however too limited for a thorough investigation of these strategies.

Roughly two patterns of product introductions

Nevertheless there do seem to be two prevalent patterns in the way the SMEs in this sample handle the introduction. SMEs that introduce a product as a result of a request made by customers seem to hold a different view of the launch than SMEs that introduce a product of their own accord.

SMEs that introduce a product as a result of a request made by a customer pay little conscious attention to the strategic part of the launch strategy. They rarely make formal launch plans and focus on the promotion of the product.

SMEs that introduce products of their own accord pay more attention to strategy, looking mainly at product selection and development. They also put their launch plans down on paper more frequently than the first group, and pay attention to the pricing strategy as well as to the promotion of the new product.

4 Conclusion

The central question of this study was:

'Does the way product introductions are handled by SMEs differ from the way product introductions are described in literature?'

This question is answered in this final chapter by comparing the practical findings as described in chapter 3 with the theoretical knowledge as described in chapter 2.

Introduction often includes both introduction and launch

To start with, the term introduction is often used for both introduction and launch. This semantic confusion might be the cause of some of the differences found between scientific knowledge and practice. On the other hand it might also be a clear indication of the way SMEs handle the introduction. Often there is no defining moment for the launch, instead the launch is often quite gradual.

Attention for strategic decisions is limited, however the same applies for most tactical decisions

When asked about which activities and decisions they associate with the introduction of a new product, most SMEs indicated that the selection of the new product idea is an important part of the introduction. The selection of the product idea incorporates many decisions about product strategy. These decisions are thus likely to be the result of some conscious deliberation, although they are rarely mentioned individually. The other strategic decisions associated with market strategy and firm strategy are, however, hardly ever mentioned by these SMEs. As was expected the conscious attention given to strategic decisions is indeed limited. However the same applies for many tactical decisions. To SMEs promotion is by far the most important tactical decision.

Product development is seen as part of the introduction

Remarkable is that the SMEs that participated in this study quite often view the product development itself as part of the introduction. In this respect day-to-day practice in SMEs is definitely different from theory on introductions. According to most researchers the introduction itself does not start until later in the process when product development is (nearly) finished, although introduction theory does distinguish strategic decisions that are to be taken when selecting a new product idea. This difference between practice and theory may be related to the fact that in SMEs the person(s) responsible for the introduction are not very conscious of the strategic decisions they make. Many strategic decisions are probably taken unconsciously during the new product development process itself, making development an integral part of the introduction.

Different views about the starting point of the introduction

Quite a few SMEs thus view the selection of the new product idea as the starting point of the introduction (see figure 4). Some others comply with the theoretical knowledge on the subject and state that the introduction does not start until product development is finished.

Introduction does not end at the moment of launch

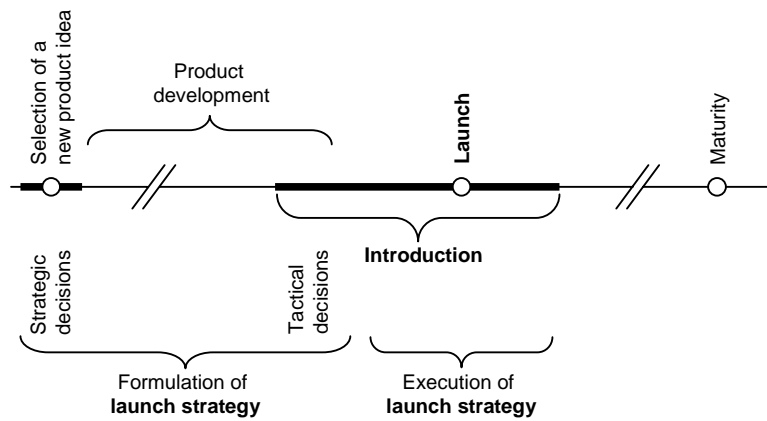
According to the SMEs in this study, the introduction is finished when the product meets the objectives that had been set for the introduction (see figure 4). Here too the SMEs seem to hold a broader view of the introduction than the theory on the subject does. Although theory is not very specific about when the introduction ends, based on the information presented in chapter 2, it seems likely that in theory this phase ends if not at the launch, than shortly afterwards.

This may indicate that the introduction plan or launch strategy is not formulated completely prior to the launch, but is adapted or developed as time passes. The introduction (or launch) therefore may last longer. SMEs also do not often seem to launch new products with a big splash, but introduce their products more gradually.

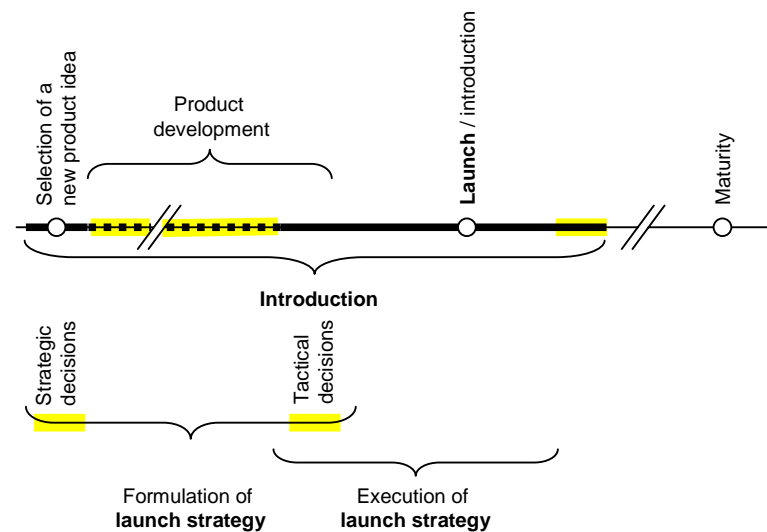
The formulation and execution of the launch strategy therefore frequently overlap (see figure 4). Plans are being made and adapted as the introduction takes place.

figure 4 graphical overview of the position of the launch, introduction and launch strategy in theory and practice

Theory



Practice



Source: EIM, 2004.

Most assumptions seem to be confirmed, but not all

Apart from the conclusions presented above it appears that many assumptions that were made in chapter 2 about product introductions in SMEs do indeed seem to be confirmed by the interviews that were held with SMEs (see table 5). Promotion expenditure, for example was generally low and most products introduced were indeed incremental innovations rather than really new products.

However some assumptions appear to be incorrect. The assumption that SMEs are less likely to use mass-marketing strategies for instance does not fully apply to the SMEs in this study. About half distributed their products through supermarkets, generally a mass-marketing distribution channel. These SMEs, however, often did aim their products at a niche market within the supermarket assortment.

Main difference is found in level of detail and focus

The main difference between product introduction theory and practice in SMEs seems to be a difference in level of detail and focus. While SMEs appear not to be conscious of all the strategic and tactical decisions they take, it seems that unconsciously many of these decisions are taken during the process of product development and launch; but they are often not formalised in introduction plans.

Further research required

Although these findings offer a good indication of how SMEs handle product introductions and in which way this differs from theoretical behaviour, when interpreting these research findings, we should bear in mind that only 12 SMEs in the food industry were interviewed. Therefore it is not possible to make a full comparison between large companies and SMEs. These assumptions cannot be statistically proven due to the limited number of interviews. To obtain confirmation, further research should be carried out involving a larger number of SMEs and large companies in various industries.

table 5 practical findings and assumptions about introduction decisions in SMEs compared

<i>Assumptions</i>	<i>Practical findings</i>
<i>Strategic launch decisions</i>	
- Strategic launch decisions are not likely to receive much conscious attention	✓ - Most strategic decisions are taken unconsciously and strategic launch decisions are rarely mentioned in detail
- Information input for launch strategy is likely to be distinctly ad hoc	✓ - Introduction plans are usually based on previous experience and/or information encountered by chance
<i>Product strategy</i>	
- SMEs are more likely to be followers than pioneers	✓ - Most of the products discussed were incremental innovations
<i>Market strategy</i>	
- May target later adopters	- Targeting decisions were not mentioned often enough to be able to reach a conclusion on this subject
- Place more emphasis on targeting competitors' customers	- As above
- Less likely to use mass-marketing strategies	- About half distributed their products through supermarkets, generally a mass-marketing distribution channel. These SMEs however often did aim their products at a niche market within the supermarket assortment.
- Frequently position their product for organizations likely to be heavy users	✓ - Quite a few of the SMEs develop their product at the request of and/or in cooperation with customers
- Will tend not to try to make their products exclusive, technologically superior or aim at a special application	- Some do some do not. Quite a few of the SMEs distinctly do try to make their products exclusive and operate on a niche market
<i>Firm strategy</i>	
- Are more likely to be expansion oriented than diversification oriented	✓ - Most innovation objectives are related to growth, and product innovation is mainly incremental
<i>Tactical launch decisions</i>	
- Tactical launch decisions are likely to receive more deliberate attention in SMEs than strategic launch decisions	x - Although this might be true for promotion, the other elements of the marketing mix receive little attention and even promotion decisions are often made routinely
<i>Pricing tactics</i>	
- Will often have to use penetration pricing tactics	x - Pricing is usually based mainly on production costs, although some SMEs take competitors prices into account, price does not seem to be strategically used to achieve penetration
<i>Promotion tactics</i>	
- Are likely to have lower promotion expenditure (marketing resources are limited)	✓ - Many SMEs state that their promotional budgets are limited and consumer advertising is too expensive
- Are unlikely to use opinion leaders, reference sites, educating methods, or even a winner image	- Although these methods were not mentioned, it seems premature to conclude that this is true as none of the SMEs explicitly stated that they did not use these methods
- Are likely to have to stimulate trial purchase as a precursor to adoption (trial and repurchase)	- This might very well be true, however less than half of the SMEs in this sample aimed their promotion at trial purchase

✓ *Seems to be confirmed, applies to most SMEs in this study.*

- *Results on this subject are inconclusive, either there were not enough usable cases on this subject or there were approximately the same number of SMEs for which this assumption was correct as there were SMEs for which this assumption was incorrect.*

x *Seems to be discredited, does not apply to the SMEs in this study.*

Source: EIM, based on various authors and interviews with SMEs.

Literature

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