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# Framgångsfaktorer vid lansering av en ny produkt för mikroföretag

Filosofie kandidatuppsats inom Företagsekonomi

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# **Success factors for launching a new product for micro enterprises**

Bachelor's thesis within Business Administration

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## Sammanfattning

Dagens marknadssituation är uppbyggd av hård konkurrens och snabba förändringar. Nya tekniken påverkar hur ett företag kan bedriva sin affärsverksamhet och ger upphov till nya marknadsmöjligheter. Dessa faktorer gör att dagens företag snabbt måste kunna ändra och anpassa sig till nya situationer inom korta produktlivscyklar. Nya föränderliga teknologier och nya marknadssituationer har tvingat företag att vara mer innovativa och bedriva en affärsstrategi där förändring och produktutveckling är i fokus.

För att kunna lyckas nå ut med nya produkter på marknaden är det viktigt att ha en marknads lanseringsstrategi och veta de kritiska framgångsfaktorerna. En förståelse över de kritiska framgångsfaktorerna kan utgöra en grund för hur en produktlansering skall se ut och verkställas.

Syftet med uppsatsen är att från ett marknadsföringsperspektiv identifiera och analysera kritiska framgångsfaktorer när en ny produkt skall lanseras för mikroföretag.

Uppsatsarbetet har genomförts genom en litteraturstudie där teori om marknadsföring och marknads lanseringsteori har behandlats. Vidare har tre interjuver gjorts med företagen Din Scooter HB, Luda Elektronik HB och SafeTool AB. Alla tre är mikroföretag som ligger inom gruppen små och medelstora företag.

Analysen av litteraturstudien och den empiriska undersökningen har bidragit till en identifiering av kritiska framgångsfaktorer vid produktlansering. Några av de kritiska framgångsfaktorerna som har blivit identifierade är; pris, tid, kundmedvetenhet och vara marknadsinriktad. Vidare har en modell tagits fram för att visualisera de kritiska framgångsfaktorerna och hur de korrelerar med varandra där en beskrivning utav själva modellen finns och varför det här är så viktigt just för mikroföretag.

En förståelse över dessa framgångsfaktorer kan effektivisera och förbättra marknads lanseringen. Resultatet av detta kan stärka företagets position på marknaden och ge möjlighet till mer kundfokuserade produkter och bättre lönsamhet.

## **Bachelor's Thesis in Business Administration**

<b>Title:</b>	<b>Success Factors for launching a new product for micro enterprises</b>
<b>Author:</b>	<b>Daniel Abdiu, Mikael Strandberg, Martin Stridsberg</b>
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<b>Date:</b>	<b>2006-01-20</b>
<b>Subject terms:</b>	<b>Product launching, marketing</b>

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### **Abstract**

Today's marketplace is characterized by strong competition, speed and change. New technologies affect the way of doing business and rise new market possibilities. These factors force today's companies to quickly respond to new changes and demand situations within short product life cycles. Fast changing technology and new market situations have forced businesses to be more innovative and apply strategy of change with continuous innovations of their products.

To be able to reach out with new products on the market successfully it is of great importance to have a product launch strategy and know the critical success factors of a product launch. An understanding of the critical success factors can work as a guideline for new product launches and how to manage them.

The purpose with the thesis is to identify and analyze critical success factors for launching a new product for micro enterprises using a marketing perspective.

The thesis has been conducted by studying theory regarding marketing and product launch theory. Further, interviews has been conducted with; DinScooter HB, Luda Elektronik HB and SafeTool AB. All of these three companies are micro enterprises within the definition of SME's.

The analysis of the theoretical framework and the empirical research has resulted in an identification of critical success factors for a product launch. Some of the critical success factors that have been found are; pricing, timing, awareness of the customer and being market driven. Further, a model that visualizes the different factors and their correlation is presented where an explanation of the model is given and why this is of importance for micro enterprises.

An understanding of these factors can improve the product launch and make it more effective and efficient. The result of that can be stronger position on the market, more customer focused products and higher profits.

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# 1 Introduction

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*This chapter will give the background to the topic of interest which will continue through a problem discussion, where the different problems associated with launching a product will be presented. This discussion will end by clarifying the purpose of the thesis. The delimitation of the thesis is then explained followed by the knowledge contribution. Some definitions are given to clarify the essential terms used throughout this paper. This introductory chapter ends with a clarification of the report's disposition in order to facilitate further readings.*

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## 1.1 Background

Today's marketplace is highly competitive with speed and change as general characteristics. Also, the rise of new technologies greatly affects the way of doing business and give rise to new market possibilities. Companies need to have the ability to constantly change and update the way they operate their business. Today's market requires that companies respond to new changes and demand within short product life cycles. This new market situation puts a major pressure on today's companies and requires that all businesses need to be constantly updated on the market in order to survive (Johne, 1999).

Businesses can easily underestimate the competitive challenges from other companies within the market. They may feel secure in their present situation but new circumstances and new competition can easily change that picture. Fast changing markets and technology have forced businesses to be more innovative in order to maintain their position on the market and their future existence. Businesses have to apply strategy of change with continuous developments of new products. Companies need to understand new market demands and the changing needs of their customers (Johne, 1999; Wu, Chiag, Wu & Tu, 2004).

Previous research has shown that new product launches are vital for manufacturing firms (Cooper, 1994). New ideas and products give the opportunities and possibilities to grow within an established market. It also gives opportunities to compete in other markets and establish new non-existing markets (Cooper & Kleinschmidt, 1987).

According to Cooper (2005) new products are the key for company success. With the ability to offer new products, companies can quickly adapt their range of products to new market situations. Fluctuations on the market exist to a greater extent and companies need to be open for changes and new demand situations. For that reason product launches are more and more important and have to be managed on a high strategic level. Different strategies for launching new products and changes in companies existing product range need to be applied within the overall business strategy.

Today's businesses can not be too pleased with their current situation and they need to be constantly alert for changes within the market and modify or launch new products successfully. This is something that might be difficult for micro, small and medium-sized enterprises (SME) since they do not have the same resources such as financial resources, human resources and so forth compared to bigger corporations (Hill, Nancarrow & Wright, 2002). Further, by trying to compete with bigger corporations, SME's takes a huge risk since each product launch has a relatively greater impact on its future existence (Gilmore, Carson & Grant, 2001). Therefore it is of great importance for SME's to know how to manage and carry out a successful product launch.

## 1.2 Problem discussion

Innovativeness and entrepreneurial spirit can yield great benefits, but far from every project succeed, so what separates the winners from losers? Basically the concept from idea to launch comprises two main parts, namely the actual product and the project/process. These are completely different things that need to be separated in order to understand what constitutes success. The actual product concerns such things as customer demand and acceptance whereas the project deals with the different stages involved, from product development to product launch.

Since we are looking at new product launches for SME's with a focus on micro enterprises, it is the entrepreneurial and the marketing perspective that are interesting to look at. A product launch can determine whether the product will be successful or not in the market. If a product should be accepted on the market it is of great importance for SME's that the product launch is successful due to the limited resources.

According to Cooper and Kleinschmidt (1987) it is important to have an understanding of different success factors when a new product should be launched. An understanding of the success factors can work as a guideline for new product projects on how to manage the product launch.

Soni and Cohen (2004) declare typical product launch failures that are important to consider before a product launch can be done. Lack of competitive analysis is one factor Soni and Cohen (2004) brings up. Another is poor understanding of user needs. SME's need to have a good understanding of customers' needs and the competition within the market. An additional factor of product launch failures is the lack of planning before a product launch. It is important to have internal preparations before a company can perform an external product launch. Companies need to have a well established internal and external communication in order to attain a successful product launch (Soni & Cohen, 2004).

It is interesting to find SME's that have developed a new product and look at the marketing activities involved in getting the product to the market, since the characteristics of SME's differ from larger corporations (Gilmore et al., 2001). Because of this our approach will be from a marketing perspective rather than an entrepreneurial with the main focus of describing the product launch for micro enterprises because of their limited resources.

Based on the existing problem with launching products one could derive one key question, what are the critical success factors for having a successful product launch for micro enterprises?

## 1.3 Purpose

The purpose of the thesis is to identify and analyze critical success factors for launching a new product for micro enterprises using a marketing perspective.

## **1.4 Delimitation**

This thesis will be delimited to identify the critical success factors when launching a new product. Thus, this thesis will not after the identification test if these factors can be applied for SME's in general. We have also decided to limit our research to companies within the definition of micro, small and medium-sized companies (SME's). This is due to the differing characteristics of SME's compared to larger corporations when it comes to marketing (Gilmore et al., 2001).

## **1.5 Knowledge contribution**

The contribution of knowledge with this thesis is to create an understanding regarding which factors that has an impact on the success when launching a new product. We believe the outcome of this thesis could help companies with the planning before launching a new product. The type of knowledge is as a result of that generally of explaining- and descriptive nature.

The attained knowledge is based on the pre-understanding which is created through the theoretical framework concerning for example, product marketing and customer perception of new products and how one could adjust and apply these theories in a more practical way.

By taking our list of critical success factors into consideration one will attain knowledge of a new way of planning and how to carrying out a new product launch which we believe contributes to new knowledge to the reader within this area.

This thesis is directed towards companies that are planning to launch a new product or would like to evaluate a certain product launch. Other stakeholders that might have an interest in this thesis could be researchers as well as other students.

## **1.6 Definitions**

In a thesis there could be some terms and concepts that are either too complex to understand or that the term or concept could have different meanings. For that reason we have a list of definitions to clarify what we mean when using a certain term or concept. Below, one could read those that we believe are most fundamental for this thesis.

### **Product**

A product could be anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need (Kotler & Armstrong, 2004). When talking about a product as a whole in this thesis we mean the complete package of satisfactions or benefits that buyers perceive they will acquire if they buy the product. A product could also be either a good or a service. Goods according to us are physical objects that are available in the marketplace where as a service is a non-material product.

## **New Product**

The definition of what constitutes a new product can be seen in different ways. In this thesis we have adopted the following definition that is in line with Cooper's (2001) definition of a new product.

A new product could either be; new to the market or new to the company where new to the market products are of innovative characteristics meaning that they are the first of its kind on the market. New to the company products are products that the company have never developed or sold before but might not be entirely new to the market.

## **Market**

The sum of all actual and potential buyers of a product is called the market (Kotler & Armstrong, 2004). A market does not need to be a physical place, so called virtual markets has become a reality today such as the Internet where information is exchanged easily and where it is possible to buy and sell things.

## **SME**

'The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro.' (European Union, 2003, p. 36)

## **Micro**

'The category of micro is made up of companies with fewer than 10 employees and has an annual turnover not exceeding 2 million euro, and/or an annual balance sheet total not exceeding 2 million euro.' (European Union, 2003, p. 36)

## **Critical Success Factor**

Success is measured by comparing actual outcomes with prior expectations. When talking about success factors, it is referred to the factors or elements that makes the success a reality (Wickham, 1998). There could be a lot of different factors that contribute to a successful product launch where some could be more critical than others. Therefore when talking about Critical Success Factors (CSF's) in this thesis we mean the most significant and evident factors for attaining a successful product launch.

## **Successful product launch**

The definition of success do vary between authors but we have chosen a definition based on Cooper's (1994) definition where success is obtained when one has satisfied the needs and wants of the customer from the customer's point of view together with fulfilling the initial requirements and goals for the product launch set by the company. Examples of requirements and goals could be to increase the profit to a certain level, take over a certain amount of market shares and in relation to the timeline for the launch.

## 1.7 Disposition

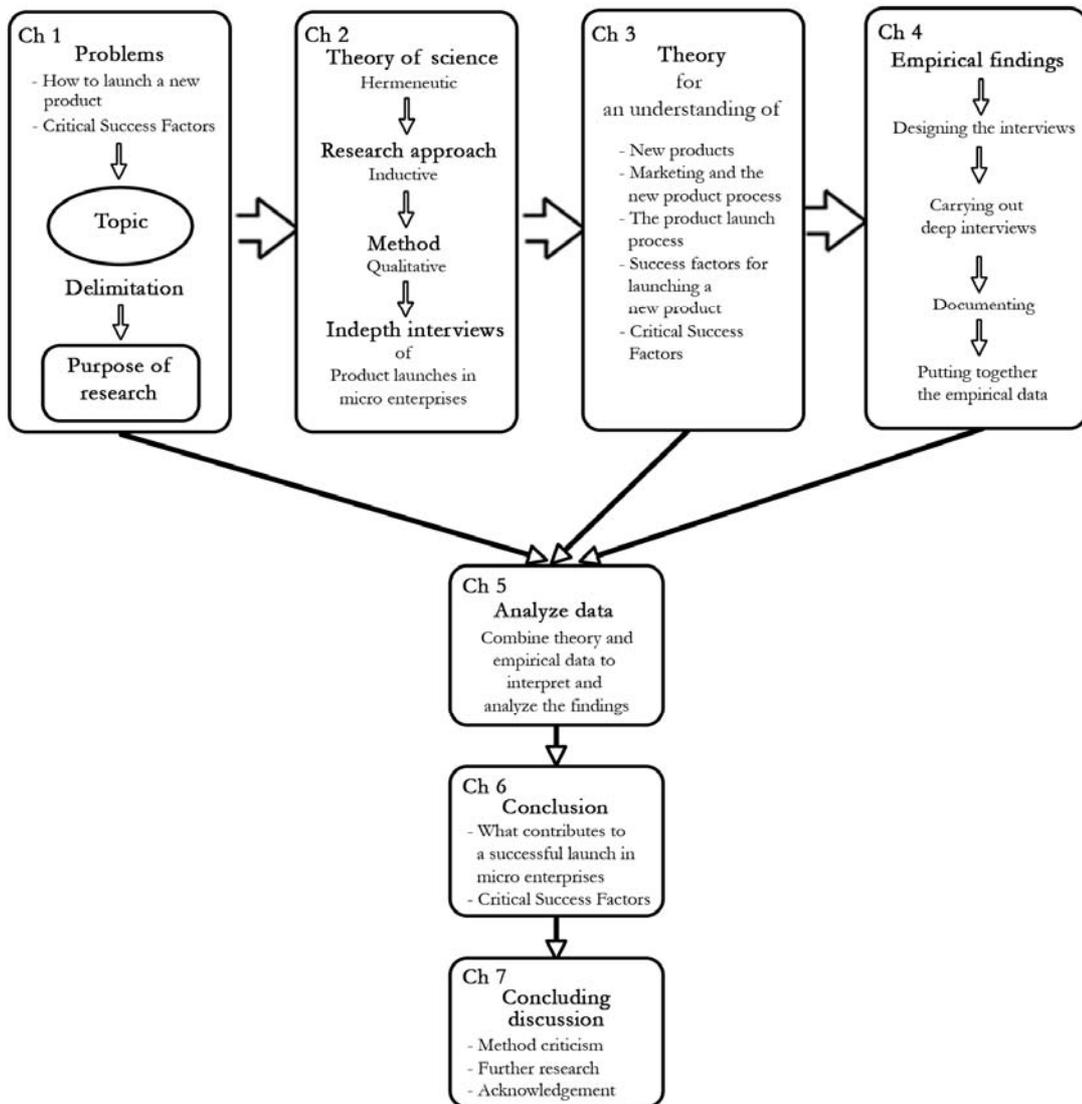


Figure 1.1 - Disposition of the thesis

## 2 Method

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*The research method could be seen as the underlying foundation when conducting a research. In this thesis we have decided a choice of method where we discuss the theory of science and the different research approaches first and then we select the method for the thesis. Information gathering techniques is also described in this chapter along with how the selection was determined for the thesis. Further issues which are discussed are validity and reliability in the research.*

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### 2.1 Theory of science

Two philosophies in the theory of science are positivism and hermeneutics. When deciding which one of the philosophies that are in line with the thesis one need to look at the purpose of the research. The strive for this research is to identify and try to analyze the critical success factors when launching a new product. There are so many different factors that affect the way customer acts and so many different ways to launch a product. Having a well structured research method could help in this case since it becomes comprehensible how one actually is going to answer the purpose.

Due to the purpose and the nature of this research the choice of philosophy points towards using the hermeneutic approach. The hermeneutic approach is often used for researches where one need to consider many different factors and thereafter analyze it and interpret the collected data in order to come up with a generalized conclusion. This statement is supported by Lundahl & Skärvad (1999) where they state that the hermeneutic science has interpretation and comprehension as its main approach.

Positivism could be seen as the opposite of the hermeneutic approach where concepts and theories are more one-sided and based on observations that are completely reliable (Guneriusen, 1997). Deductive hypothesis testing, which often is seen as the quantitative approach, where one verify or falsify a certain statement usually constitute the basis for positivism according to Molander (2003). In this case it is not suitable to use that kind of approach due to the difficulties to divide facts and perceptions and therefore the hermeneutic approach will be used in this thesis since that corresponds most to our perception of the different sciences.

### 2.2 Research approach

The selected theory of science and the problem definition of the thesis decide which research approach to choose (Lundahl & Skärvad, 1999). Inductive-, deductive- and abductive approach is the main research approaches according to Wigblad (1997).

The inductive approach usually starts with having some empirical data and from that data try to create theories (Björklund & Paulsson, 2003). An example of this could be to analyze different companies by looking at the way they conduct their work and try to identify the weaknesses and flaws they currently have. By summarizing these studies one could later try to come up with a generalized solution and theory describing how the work could be more efficient.

The deductive approach however is looking at already established theories and from there try to draw logical conclusions that one could question by doing empirical investigations (Lundahl & Skärvad, 1999; Björklund & Paulsson, 2003).

A typical example of this could be that you are questioning an existing theory by asking a different question or taking a different perspective on it. By doing this one could make the existing theory stronger or weaker by for example verify or falsify the hypothesis.

There is also another approach called abductive approach which is a combination of the inductive- and deductive approach (Wigblad, 1997). Further, Wigblad (1997) describes the abductive approach to be a reciprocal action between empiricism and theory. A problem could then be observed from many different perspectives to be able to have a complex but valid approach. However, the abductive approach takes very long time to use since it is using both the approaches and this approach is usually used when having several years of time of studying a phenomenon.

When looking at this thesis with its purpose and problem definition one could say that it is more of an inductive style where an investigation is required regarding what a person or company need to consider in order to launch a successful product. Further, this thesis do not ask a question which one could answer with a simple yes or no answer instead it needs to be analyzed and from that create an understanding which could be tested later on. An abductive approach could be suitable but however it demands much more time which exceeds this thesis limitation as we see it. On these premises this thesis will choose the inductive approach since we believe it is the most suitable for our purpose.

### **2.3 Choice of method**

According to Bryman & Burgess (1999) an inductive approach together with hermeneutic science is usually combined with a qualitative research method. Qualitative research method is one of the two research methods that exist where the other one is the quantitative method (Halvorsen, 1992). Further, Halvorsen (1992) states that one could mix these two which creates a third way to conduct a research.

A qualitative method is usually an in-depth study with a limited selected objects of study where there exists a possibility to do an interpretation of specific characteristics within that field. The purpose of a qualitative method is to describe, analyze and understand the phenomena that are being studied according to Lundahl & Skärvad (1999). Further a qualitative method could change during the realization of the research due to more flexible problem statements or framing of the question. Jensen (1995) arguments for a qualitative method when a deeper or more thorough explanation of phenomena is desired.

Quantitative method could be defined as a study where you study phenomena's using numerical means (Mark, 1996). According to Wigblad (1997) high-structured research is a typical example of when to use a quantitative method since it should be statistically measured. The advantage by using a quantitative method is that a large amount of data could be collected and analyzed with a high degree of generalization. The disadvantage is then of course that one is doing a relatively superficial analysis with no in-depth analysis of the problem. According to Repstad (1999), the quantitative method is often used when one wants to find out how something occurs or how common it is usually by testing different hypotheses.

The nature of this thesis is related to find an explanation and suggestions to be successful when launching a new product. To fulfil this purpose we believe it is suitable to use the qualitative research method along with the inductive approach based on the discussion above.

## 2.4 Information gathering techniques

In order to do a research some kind of data or information gathering is necessary. Merriam (1994) states that the general philosophy and theoretical approach which the research is based upon is the deciding factor of how to organize, gather and interpret the information. Data or information could either be collected from documents, people and Internet (Lundahl & Skärvad, 1999). Further, some authors divide the information gathering into two different categories, primary and secondary data or information. According to Lundahl & Skärvad (1999) primary data or information is such material that the researcher has collected while secondary data or information is collected from another source. In this case interviews conducted by the researcher are primary data or information while literature is secondary data or information.

In this thesis there will be a combination of both techniques where interviews will be conducted as well as using literature to build up knowledge about the topic and to create a theoretical framework for the thesis.

### 2.4.1 Literature study

By doing a literature study one could attain and provide existing knowledge about a certain topic. It is vital to have a great knowledge about the subject before conducting the research. Further, it is easier to find out if there is any existing research within the same subject. Also, by using the existing literature one could describe and explain things to make sure the reader has enough pre-knowledge within the current topic. If the reader is able to have that it is easier to understand the purpose of the thesis and easier to question its validity.

The technique that was used for this thesis is quite simple. First we used databases to search for books, journals and work of reference based on the topic of the research as well as the research problem. A selection was then made of which sources to use in order to keep the focus towards the purpose of the thesis. These sources were used to create the foundation for the theoretical framework. In the end more sources was added to finalize the thesis in order to make sure that it covered everything.

### 2.4.2 Interview

One of the most common methods for collecting information is to conduct interviews (Kumar, 1999). The interviews are usually the foundation for the empirical study in a thesis. An interview could be divided into different classifications, unstructured-, structured- and semi-structured interviews (Lundahl & Skärvad, 1999). In this thesis the semi-structured method will be used due to its flexibility and because it facilitates the assuredness that one are able to cover everything in an interview. A semi-structured interview has some pre-determined questions like an interview guide and above that one could ask follow-up questions during the interview to make sure one is receiving comprehensive answers. This has been done in our research. We did send out the interview guide before the interviews and asked follow-up questions during and afterwards. This is the main advantage of using less structured interview as a method according to Lundahl & Skärvad (1999). Compare this to the structured interviews where generalization is the main advantage since it could provide more comparable information (Kumar, 1999).

By using the semi-structured interview technique we believe that we could receive the desired information as well as having a more open discussion with the respondents that provides more in-depth knowledge for the thesis.

### 2.4.3 Selection of respondents

One of the main reasons why a thesis is successful is due to a good empirical study which in this case consists of interviews. The selection of respondents is therefore an important decision where the problem definition and purpose should decide the choice of respondents. Repstad (1999) claims that when using a qualitative method the respondent should have relevant and important information regarding the topic and that the selection should be done with carefulness. In order to achieve this, several criteria has been set up to select suitable and good respondents for this thesis. This method is supported by Merriam (1994) and is called the criteria-related strategy. Using that method the researcher decides and defines some basic criteria that the respondents need to be in accordance with to be in the group of possible respondents. Thereafter the researcher makes a decision of who to use for the thesis. The list of the basic criteria used in this thesis is listed below in table 2.1.

<b>Criteria for selection of respondents</b>
A micro enterprise with less than 10 employees.
A company which has already done a new product launch (maximum two years ago) so the respondent could look back and reflect upon the procedure for launching it.
The respondents need to be a mix of companies that launches existing new products to the market and of companies that innovates new products themselves and launches them to the market.

Table 2.1 - Criteria for selection of respondents.

The companies that fulfilled our criteria and decided to participate in our research are listed below, followed by a short business description.

#### 1. **DinScooter HB.**

DinScooter is a trading company that sells motor scooters which are imported from China and sold in Sweden. DinScooter HB was established in 2004 and has 2 employees. Their business strategy is to provide the customers with good service and that the high existing level of customer awareness is kept within the business.

Respondent: Johan Formgren, Managing Director – DinScooter HB

#### 2. **Luda Elektronik HB.**

Luda Elektronik is importing wireless micro cameras from China and is sold in Sweden. Using a website called Minikameran.se™ the company marketed its products as well as its brand in an emerging market consisting of hobby-enthusiasts as well as other more professional end-users.

Since September 2005, the company changed its focus to supplying the Swedish retail-market instead of selling direct to end-customers which changed the market environment and required higher quantity orders. Luda Elektronik has 3 employees at the moment.

Respondents: Ludvig Brost, Chief Executive Officer and Daniel Ludwiszewski, Marketing Manager – Luda Elektronik HB

### 3. SafeTool AB.

SafeTool delivers products and information systems developed and tested for the construction industry. SafeTools products include RFID systems and information system that prevents theft and increase the security for construction workers. SafeTool AB is operating in Jönköping and has 8 employees.

Respondent: Kenneth Johansson, Managing Director – SafeTool AB

#### 2.4.4 Interpretation and analysis of the data

When conducting a qualitative research with interviews as one of the information gathering techniques one needs to interpret and analyze the data that has been collected. By doing this one are able to draw own conclusions and statements regarding a certain problem. Interviews that are written down are usually the data that is being analyzed (Halvorsen, 1992). One important aspect that Halvorsen (1992) claims with analyzing and interpreting this information are to maintain the objectivity as a researcher so the information in the analysis is recognizable for the respondent. To ensure this each interview is being written down so it could be analyzed afterwards. Each respondent will receive a document over their own interview along with the analysis of it to make sure that the respondents are contented as well as having the opportunity to correct minor errors. Then a comparison between the interviews will be made and then look at the theoretical framework to be able to reach a conclusion regarding the success factors when launching a new product.

## 2.5 Reliability and validity of the research

When conducting a research it is vital to look at aspects like validity and reliability when conducting quantitative- and qualitative research. There are two different kinds of validity, internal and external. Each of these aspects will be considered and discussed below to show that this thesis has taken these concepts into consideration.

### 2.5.1 Internal validity

Having internal validity means that the research method and the chosen information gathering technique is proper considering the purpose of the research (Mark, 1996). Lundahl & Skärvad (1999) defines internal validity as the measurement that makes sure that what is being measured by the researcher using certain instruments is actually what it is supposed to measure. In this case these so called instruments are the same as surveys, interviews or another technique.

The instruments for this thesis are as described before a qualitative method with interviews along with the literature study as information gathering technique. We believe that the decision of using that kind of instrument is valid for this kind of purpose.

We strive to find out more about the complexity of launching a new product. In order to do that we need to go deeper and find those that have been successful in this area and ask questions using the interview guide along with conducting the literature study. By doing the quantitative method and perhaps a survey instead we believe that we should not have received thorough or enough information for answering the purpose.

Another aspect one need to consider is to make sure that the objectivity is high. We will make sure that we present the information only after showing it to the respondents so they have the opportunity to read it and make sure there are no misunderstandings. Another factor that speaks for high objectivity is the choice of method. With a quantitative method there is more room for misinterpretations and information losses compared to a qualitative method since in a qualitative method one could always go back and ask a follow-up question to make sure everything is correct and that one could mostly not do with a quantitative method. With all the above arguments we believe that we will reach a high internal validity for this thesis.

### **2.5.2 External validity**

When looking at the external validity one could say that you are looking at the level of generalization of the study. A high degree of generalization (external validity) signifies that the result from the study is applicable to other phenomena with the same or similar situation (Merriam, 1994). Further, Merriam (1994) discusses that when using a qualitative study without a vast selection of respondents it usually implies a higher internal validity than external validity since it then could be hard to generalize the findings. However, these findings could still be interesting and valid for that specific research area.

With this thesis the ambition is to find the factors which were important and perhaps crucial for success for the companies when launching a new product. Further, the aim is to find that some of these factors might be applicable to other companies that are in the same situation. If other companies are able to learn from our findings we could reach a high external validity as well.

### **2.5.3 Reliability**

Halvorsen (1992) and Merriam (1994) define reliability as a measurement if the research would have the same result if it would be carried out again using the exact same method. Other authors like Merriam (1994) defines it as whether the research tool is stable and consistent or not. If it is, the result should be accurate and predictable which would create a high level of reliability. When conducting a qualitative method with semi-structured interviews it could create some problems with having a 100 percent accuracy which could be a problem in our case. The reason for this is that when one is conducting the interview the only information that the interview is based on is the interview guide. The researcher will ask follow-up questions depending on the answers given and that will cause reduction of the reliability. This does not mean that the findings are not valid instead it puts more pressure on us as researchers to actually present the way how the interviews were conducted for example and show the complete interview guide for everyone. In this thesis the interview guide will be shown and presented in the appendices. Further to increase the level of reliability we have explained our research method to make sure that someone else would be able to conduct the research again.

### 3 Theoretical framework

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*The theoretical framework will be presented in a way so that the reader will attain knowledge regarding the topic and research. The structure of the theoretical framework has been developed so it fits well with the purpose of the thesis. First, the concept of new products and its importance for micro enterprises will be discussed. Then marketing and the new product process will be explained as a holistic process from idea to launch. This is narrowed down through a marketing perspective towards a focus on the product launch process. Further, the frame of reference will be used later on in the analysis where it will be compared with the empirical findings.*

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#### 3.1 New products

According to Cooper (2001), most new products tend to fail. Focus should be to seek product differentiation to secure a sustainable competitive advantage. Rau (2005) also emphasize this and claims that it is a big challenge to build new products that are different from other already existing products. Rau (2005) further claims that most of the products that are launched today do not have specific attributes and can not easily be differentiated from each other. Positioning has a key role according to Cooper (2001) since it decides what place to take in the market. Today, national borders have become blurred since many new products compete globally with new technology such as the Internet. Forty percent of the major corporations that existed in America in 1975 no longer exist (Cooper, 2001). Companies that have product leadership as a main strategy need to be able to continuously launch new products to the market (Rau, 2005). Several definitions of what constitutes a new product exist where a widely known one is Cooper's (2001) definition.

Cooper (2001) defines new products as:

- New to the company, which means that the company have never developed or sold a similar product before but other companies might.
- New to the market or "Innovative" products, meaning that the product is first of its kind on the market.

Markets and technologies are changing faster than ever making speed and change vital for success in the marketplace (Cooper, 2001). Being ahead of competitors and speeding up the time from idea to launch can yield high benefits and profitability, limiting the change of customer's perceptions. Cooper (2005) claims that a product lifecycle today is four times shorter compared to a product for 50 years ago. This shortened life cycle has put enormous pressure on micro companies to constantly launch new products. Further, it needs to be a strong link between product development and the chosen marketing strategy (Rau, 2005). Both the product development and the marketing strategy need to be linked to the customers need in order to meet the market demand. Cooper (2005) claims that customer needs are changing constantly and companies must quickly respond to these changes in order to meet the changing customer demand, which has a vast impact on micro companies.

According to Cooper (2001), one-third of the revenues of a corporation are coming from products they did not sell five years ago while in some dynamic industries this figure may be as high as 100 percent. The message is clear, 'Either innovate or die!' (Cooper, 2001, p. 4). Looking at a study of 203 new product launches in the US shows that approximately two-thirds are considered to be commercial successes (Cooper, 2001).

Still, these figures vary a bit from study to study depending on the industry and the definition of success but the indication of the importance of the product launch is clear. The product launch should therefore be seen as a distinct process within the overall new product process that spans all activities from idea to launch.

### **3.2 Marketing and the new product process**

Before a new product can be developed it is important to have an understanding of the different stages and activities involved from the product idea to the actual product/market launch. What is prescribed by the literature and what most firms do are miles apart when it comes to these activities (Cooper & Kleinschmidt, 1986). The activities are brought together under a general “skeleton” for developing and launching new products for which Cooper and Kleinschmidt (1986) call “the new product process”.

The new product process consist of 13 related activities; (1) Initial screening, (2) Preliminary market assessment, (3) Preliminary technical assessment, (4) Detailed market study/market research, (5) Business/financial analysis, (6) Product development, (7) In-house product testing, (8) Customer tests of product, (9) Test market/trial sell, (10) Trial production, (11) Precommercialization business analysis, (12) Production start-up and (13) The Market Launch (Cooper & Kleinschmidt, 1986). According to Cooper and Kleinschmidt (1986) there are cases for when to shorten down the new product process, this could be the case of product improvements and line extensions.

The completeness of the process above from initial screening to product launch is strongly linked to project outcomes (Cooper & Kleinschmidt, 1986). Preliminary market assessment and the formal product launch stage is much more evident in successful projects than in failures (Cooper & Kleinschmidt, 1986). These two activities according to Cooper and Kleinschmidt (1986) are the ones that show the most significant differences between successful projects and failures. Market assessment is needed for all companies, including micro enterprises, to evaluate the potential of the target market and its competition.

Cooper (2001) suggests that marketing planning should begin early alongside the development activities of the new product process. The marketing planning process should be seen as an iterative process that sets marketing objectives, strategies and decides on which marketing program to undertake. Objectives are important to set since it creates a sense of purpose for the team players to strive towards. This helps create a common understanding of what one wants to achieve when promoting the product. These objectives also function as measurement for evaluation during the launch stage were different milestones and benchmarks are critical to guide the actual product launch (Cooper, 2001). Good objectives according to Cooper (2001) sets criteria for decision making, are quantifiable and measurable and have a specified time frame.

Gilmore et al. (2001) stresses the importance of networking for SME's which should be seen as an integrated part of the entire process of bringing a new product to market. This comprises establishing partnerships as well as new customers, keeping track of competitors as well as marketing by network.

Another aspect Soni and Cohen (2004) brings up is the importance to perform beta testing before a product could be launched. A beta test works as an instrument that test the new product before it will be launched to the public. A beta test can stress all the product's aspects, from features to the documentation or support and service.

The beta test also gives the opportunity to train and prepare personnel before the real product launch. In the end an evaluation should be done to see which aspects that can be improved. If it is too many aspects of the product that needs to be analysed and improved it is important to postpone the product launch. Everything needs to be perfect and well thought out in order to achieve a successful product launch.

In the next section there will be a deeper discussion regarding the new product process from a marketing perspective with the product launch in focus since this is an activity in need of improvement.

### **3.3 The Product launch process**

Product launch activities incorporate decisions on the breadth of the product line, pricing decisions and distribution intensity. The tactical level of the product launch highly depends on the 4Ps, Product, Price, Place and Promotion of the product (Hart & Tzokas, 2000). It is also important according to Hart and Tzokas (2000) to define the positioning strategy related to the 4Ps during the product launch process.

According to Cooper (2001) approximately 50 percent of all projects perform poorly on the actual product launch stage while in some cases even omitted. In more than 30 percent of product launches this stage is not even recognized as a formal, distinct or identifiable stage or activity (Cooper, 2001).

The product launch process can be divided into different parts, where some of the parts can be outsourced or be done in different work groups. Therefore it is important to have a good and well established collaboration and communication between these parts in order to make the product launch successful (Soni & Cohen, 2004).

Effective communication needs to be present both within the company and with the company's customers and partners. Since micro enterprises do not have that many employees they tend to have better internal communication than larger companies.

Soni and Cohen (2004) address some basic issues that need to be considered and answered before a product launch can be carried out. Examples of these are: what are the launch goals and strategy? What are the requirements for a launch success? Who are the major players and stakeholders? How will the product introduction be communicated? These type of questions need to be answered before a product launch can be rolled out.

Soni and Cohen (2004) further claim that successful product launches are based on internal preparation. It is of great value to design and prepare a plan for the product launch internally before an external public launch can be carried out. The plan of the product launch should address issues such as product testing, pricing, sales tools, etc. Another aspect that is important to consider when it comes to product launches is time and scheduling (Soni & Cohen, 2004). It is important to be sure that the product launch schedule is synchronized with the overall product development. To make sure that this is the case, it is good to have a mechanism that constantly check if any disruptions or delays exist and that this is communicated to the entire team.

It should be remembered that the marketing mix is a dynamic process which highly depends on the product-market life cycle for when to introduce the product (Hart & Tzokas, 2000).

Next, we will discuss the importance of being market driven and to attain an understanding of the marketplace. This is followed by a more focused discussion regarding the different marketing mix variables involved in a launch, the product & product advantage, pricing strategies, place, promotion & market communication and finally a discussion on the positioning of the product. No solely variable is responsible for product success for micro enterprises, rather its according to Hart & Tzokas (2000) their combined effect which makes a successful product launch.

### **3.3.1 The marketplace**

According to Johne (1999) it is important to listen to the voice of the market when a product should be launched. It is the market that in the end determine if the product launch will be successful or not, despite all marketing activities and resources that a company invest in. The product launch can be done in different ways depending on the purpose. For example the product can be launched to build a strategic competitive advantage, or increase market share, increase profitability, or through building a reputation for technical excellence. Before a product launch can be set up it is therefore important to see which purpose the product launch should bring.

Soni and Cohen (2004) also emphasize the importance of listening to the market. They claim that it is of great value to understand the marketplace before a product launch can be done. It is important to be customer-centric rather than product-centric and understand the customer needs. Micro enterprises tend to have less customers than larger companies and therefore it is vital to understand the needs of a customer. This information can be obtained both directly and indirectly from market surveys or just by indirectly listen to the voice of the market and the customers. Further, Hill et al. (2002) highlights the importance to be alert to changes in the marketplace such as changes in customer demands and perceptions. These changes in demand need to be reflected in the product line (Hill et al., 2002).

Less attention has been given to how other launch mix variables work together with the product advantage to attain a successful launch (Hart & Tzokas, 2000). Hart and Tzokas (2000) claim that the complexion of the product launch mix variables highly depends on the level of advantage the new product offers. Other important aspects to consider here are the choice of branding and the product assortment, which is the length of the product line.

Listening to the voice of the market can be done in different ways. It is important to both listen to the external and the internal market. This can be done passively by reacting to market stimuli or actively by seeking information proactively from market stimuli. The information that these two methods gives need to be applied in a product launch strategy. The aim of a product launch strategy is to effectively launch the innovation to the market. Skilful listening by the micro enterprises to the market can make this process easier and more effective. A product launch needs to cover all expectancy from the market in order to be successful. Therefore, it is important to listen to the market and understand what the customers expect from the product.

Further, another tool for getting a better understanding of the marketplace is to conduct a market analysis which provides you with a number of potential market segments. The important thing is to choose the right target group which could be one or several depending on the situation and the product. According to Cooper (2001) it all comes down to profitability, which segment is the most attractive one to target to fulfill the marketing objectives.

In order to answer this you need to consider the market size and growth as well as future potential of each segment. How does the competitive situation look like?, where is the best fit between needs, wants and the product features and benefits? Which segments are easiest to access in terms of selling efforts and distribution channels? Where is the relative advantage the strongest? According to Cooper (2001) one must look for segments where you have a strong position and can outweigh competitors.

After this understanding has been fulfilled, it is possible to develop a product launch strategy (Johne, 1999).

Next, a discussion regarding the 4P's that was mentioned in chapter 3.3 will be conducted. Hart and Tzokas (2000) stress the importance of viewing these marketing mix variables in correlation and bringing attention so these variables can enhance the success rate of a new product. First out is product which discusses the concept of product advantage.

### **3.3.2 Product**

According to Hart and Tzokas (2000) the product advantage comprises the unique benefits that the product offers that can not be obtained elsewhere, the extent to which customer's needs are better satisfied, the products relative quality and the extent to which the new product solves customer problems better. This can be compared with Cooper (1994) who states that the number one success factor is to have a unique superior product, which is a differentiated product that delivers unique benefits and superior value to the customer. The product should have unique attributes and characteristics with a good value for money (Cooper, 1994; Gruenwald, 1997). It should be superior in meeting customer needs with excellent relative product quality.

Further, Cooper (2001) addresses the importance of stating those benefits, which is the inducement to buy the product. A benefit should be something that the customer is willing to pay more to obtain otherwise the risk is that it is just an added product feature. It should be clearly described why customers will buy this product over competitors (Cooper, 2001).

A tangible and objective consumer benefit is needed for the new product, however this is not enough to stand out from competitors. Probably even more important is to integrate personality and product into a concept that will be difficult for competitors to imitate (Gruenwald, 1997).

Further the product should have superior price/performance characteristics for the customer relative to competitors products with the product giving benefits that are easily perceived as useful by the customer. The benefits should be highly visible and very obvious to the customer that can easily be communicated (Gruenwald, 1997).

Other none product advantages are important as well, but according to Cooper (1994) they do not nearly have same impact as product advantage. Non product advantage can be gained from superior customer service and technical support, high level of technical competence, a superior sales force, a positive company image or reputation, product availability, superior advertising, promotion, low price and from a well known brand name. It is important that the definition of what is "unique and superior" and what constitutes "value" and "benefits" must be from the customer perspective.

It must be based on a thorough understanding of customer needs, wants, problems, likes and dislikes, that is, following a customer focused approach. Product advantage has consistently been described as a differentiator between success and failures in new product launches (Hart & Tzokas, 2000).

### **3.3.3 Price**

The price when launching a new product is something that is clearly related to the positioning of the new product, whether to keep a low price profile or not relative to competitors. However, the pricing strategy can also be perceived by potential customers as a measure of quality according to Hart and Tzokas (2000). Both the target market and the positioning strategy must be specified before a pricing decision can be taken (Cooper, 2001).

The launch price is a key factor with its embedded discounts and promotional activities (Hart & Tzokas, 2000). There are according to Hart and Tzokas (2000) two different price strategies to consider when launching a new product, the choice between skimming and penetrating.

Skimming pricing has been advised until recently to be most profitable for highly innovative products where the development costs are high. That is, having a high initial price during the launch until arrival of serious competition. Because of shortened product life cycles and reduced time from first movers to arrival of competitors has according to Hart and Tzokas (2000) caused a rethink in pricing strategy towards penetration pricing.

To employ penetration pricing will hinder competitive product launches and contribute to increasing economies of scale since sales volume increases along with diffusion (Hart & Tzokas, 2000). However, penetration pricing may lead to a long term perspective on the recovery of development costs dependent on the stage of the product-market life cycle.

It is also according to Cooper (2001) possible to use a combination of the above strategies, which is to use a skimming strategy initially to target the high value market segment and if the product gains acceptance and development costs are partly paid back the penetrating strategy is applied for entire market dominance.

What also becomes important in mature markets is promotional expenditures and maintenance of a high price. Hart and Tzokas (2000) claim that in mature markets the product should be priced with the highest price the market could bear. The promotional activities in mature markets include such things as encouraging trial, motivating customers to switch from their current supplier as well as highlighting the differential advantage of the product.

According to Cooper (2001) the entire pricing strategy should be based on the product's worth. This should be compared with competing products to specify the differentiating benefits and also what price the product can bear to obtain maximum profits. It is way too common according to Cooper (2001) to price based on costs rather than product worth.

### **3.3.4 Place**

Gruenwald (1997) stresses the importance of understanding the practical realities of the marketplace to be able to control the distribution in an effective way. Although, geodemographic information is a powerful tool for determining the right place for the product, however too much reliance on this information is not desirable, rather it is a matter of market knowledge (Gruenwald, 1997). Further, Hill et al. (2002) argues for the importance of always looking for new premises for where to launch the product.

Distribution is according to Hart and Tzokas (2000) a crucial activity which needs to reflect the target market's buying behavior since it defines the product availability. Therefore consideration must be taken to choose the right distribution channels to allow for maximum availability. Quality of distribution will also underpin the products position, especially when it comes to after sales services.

Timing is definitely a factor to consider but according to Hart and Tzokas (2000) it is not that simple that the first-movers will yield the highest benefits. There are clearly some cases where early followers will generate higher profits due to market uncertainties which make it possible for the early follower to develop superior skills at the first-mover's expense. Hart and Tzokas (2000) claim that the debate regarding timing is not that clear cut rather they describe the marketing mix as a dynamic process where different tactics can be used depending on the phase of the product market, that is whether it is a growth or maturity market.

### **3.3.5 Promotion**

A company can have the best product in the world selling at a fair price but without an effective communication strategy the battle is lost (Cooper, 2001). According to Cooper and Kleinschmidt (1986) many improvements can be made to the actual product launch stage with more resources and effort allocated to advertising and promotion for the new product. New electronic marketing channels such as the Internet is playing an even more important role in the near future states Cooper (2001), which gives the consumer more control over the information and could help smaller companies like micro enterprises to easier compete with larger corporations.

Further, Soni and Cohen (2004) emphasize the importance of having a good communication plan before a product can be launched. The communication plan should consider questions of the new product that the launch needs to reflect upon. This could be questions like: Does the product open up new markets for the company? What will the product sales cycle be? What are the primary drivers for purchasing the product? etc. These type of questions need to be answered and work as a base for the actual product launch.

Communicating the new product out to the market comprises several related activities such as; PR, advertising, sales promotion and personal selling. Concerning all these activities very little research has been carried out regarding the most effective use of resources regarding these activities when launching the product (Hart & Tzokas, 2000).

Where a low level of awareness of the product exists in the market it has been suggested to use a pull rather than a push strategy for advertising and promotion (Hart & Tzokas, 2000).

According to Gruenwald (1997) the marketing communications must be based on a totally integrated, interactive, coordinated and supportive plan which is often leveraged by advertising. It is also important to keep a strong market orientation. Four elements must be considered for direction (Gruenwald, 1997):

1. A business communications objective to be achieved by the advertising.
2. Description of the target consumer.
3. Single most important product benefit that will differentiate the product from competitors.
4. Image, equity, character or personality to be established and reflected by the advertising.

Cooper (2001) further highlights the importance of having clear communication objectives since the marketing communications can be used for several things. It can be used for creating awareness, knowledge and understanding, it can shape attitudes and create a desire or a preference for a product. When using direct marketing it can even create sales. Therefore the marketing objectives must be outlined together with the target market and positioning strategy (Cooper, 2001). Also, consideration must be taken in terms of reach and frequency of the campaign. Advertising has a cost which needs to be weighed against the desired objectives and potential outcomes. One need to follow up the outcomes of the advertising campaigns for measuring the effectiveness and efficiency of the marketing communications.

Using media involves media planning for being successful. This includes aspects such as identifying the target audience, determining coverage and frequency as well as timing. All these aspects translate into media efficiency (Gruenwald, 1997). The different factors constituting the product will be extremely important in the communication process such as product and brand name, performance, package, construction & graphics, price (what it communicates about the products image) as well as product appearance.

### **3.3.6 Positioning**

The product launch deals with such things as product positioning, that is how the product will be perceived by potential customers. The positioning of a product actually defines what place to take in the market in the eyes of the customer and relative to competitors in terms of the benefits offered (Cooper, 2001). The marketing mix variables are highly related to the product positioning.

According to Cooper (2001) this process from positioning to identified benefits which are then translated into features, attributes and requirements is a logical movement towards the product specification.

The positioning strategy is clearly linked to the 4P's. The notion of a product's positioning as a factor within the product launch has received very little attention in previous studies, nor have they considered the link between positioning and product advantage which according to Hart and Tzokas (2000) clearly is related to new product launch success. That is why positioning has to be in mind for micro enterprises when defining the product launch process.

### 3.4 Success Factors

According to Cooper and Kleinschmidt (1987) there are three success factors that need to be considered within a product launch. The first success factor is to have a unique product. The product needs to offer a customer value that can not be found within the existing market. The second success factor that Cooper and Kleinschmidt (1987) bring up is to have good market knowledge. It is important to analyse the market in depth and do extensive market research before a product can be launched. The third success factor is to have a synergy between technology, production and business proficiency. Rau (2005) also highlights the importance of product differentiation.

This can be compared to Hart and Tzokas (2000) who found three factors that were significantly correlated to the success of a new product launch in growth as well as mature markets; product advantage, the intensity of the sales force effort and distribution expenditures. Also, Hill et al. (2002) show a significant correlation between the focus on sales all along the growth process of an SME and the success rate of the company.

A sharp and early product definition, before product development begins decides the winners and helps to keep projects on time (Cooper, 1994). This involves four elements; specification of the target market, description of the product concept and the delivered benefits, positioning strategy and the definition of the products requirements, features, attributes and specifications in prioritized order. This focus attention to the Up-front activities, which serves as a communication tool to reach commitment to the project and for setting objectives. By doing this it will increase the success rate of the product launch.

A reason for failure could according to Gruenwald (1997) be that the product benefits are too innovative and ahead of the market which makes market timing essential to consider. This could especially be the case for small entrepreneurial firms with highly innovate ideas that are more dependent on the timing issue compared to larger companies. Also seasonal variations in demand and changes in environmental factors make the timing decision critical for when to launch the product. This is also emphasized by Soni and Cohen (2004) who stresses the importance of a scheduled time plan when launching a new product to the market.

Another success factor that Cooper (1994) mentions is to have a strong market orientation. A market driven and customer focused new product process is critical for success and cycle time reduction. An in-depth understanding of customer needs and wants, the nature of the market and the competitive environment are vital for success, still they are often missing (Cooper, 1994; Soni & Cohen, 2004).

Further, connected to this a clearer and more distinct definition of the marketing objectives is needed for attaining a successful product launch (Cooper, 2001; Cooper & Kleinschmidt, 1986).

Marketing activities must be seen as an integral part of the process such as preliminary market assessment, detailed market study, customer tests or trials, trial sell/test markets and product launch. The dedication to building in marketing activities is central to new product success (Cooper, 1994). Projects that focus on these marketing activities will have in comparison a better performance, double the success rate and three times the market share (Cooper, 1994).

Gruenwald (1997) builds on this and further argues that market knowledge is vital to estimate realistic demand figures and to be able to control and handle the distribution in an effective way. Otherwise product availability may suffer which could cause the entire concept to fail.

### **3.4.1 Critical Success Factors**

Based on the above discussion on success factors one could derive the following critical success factors when launching a product for micro enterprises.

- **Superior product differentiation (product advantage)**  
(Cooper & Kleinschmidt, 1987; Cooper, 1994; Hart & Tzokas, 2000; Rau, 2005)
- **Strong market orientation with a high level of market knowledge**  
(Cooper & Kleinschmidt, 1987; Cooper, 1994; Gruenwald, 1997; John, 1999)
- **Clear product definition and marketing objectives**  
(Cooper & Kleinschmidt, 1986; Cooper, 1994; Cooper, 2001)
- **Synergy between technology, production and business proficiency**  
(Cooper & Kleinschmidt, 1987)
- **Customer focused approach meeting customer needs and wants**  
(Cooper, 1994; Hill et al., 2002; Soni & Cohen, 2004)
- **Timing considerations such as seasonal variations**  
(Gruenwald, 1997; Soni and Cohen, 2004)

## 4 Empirical study

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*All the data that has been collected from the interviews will be presented in this chapter. The empirical study has a structure where each interview is being presented. Since the thesis has a focus towards the factors involved when launching a new product for micro enterprises, the focus of this chapter will lay on the questions concerning these issues. These issues will be presented from a company perspective.*

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### 4.1 DinScooter HB

DinScooter is mainly an Internet store that sells motor scooters and has service and customer awareness as its differentiation strategy. DinScooter was formed late 2004 and has two full-time employees. The owners of DinScooter were running another business together before starting up the company DinScooter. Today they still run both of the businesses and according to them both businesses is doing well.

The idea of creating the DinScooter company was formed by Erik Ydrén and at that time his co-worker and friend Johan Formgren was studying in Hong Kong so Erik asked Johan if he could look after some suppliers for Scooters. Johan did find a supplier and they decided to go for it and start up a new company named DinScooter.

#### 4.1.1 Product and the market

The scooters they import are from China which is sold all over Sweden. DinScooter has at this moment three different models but each model has different colors and style. Along with the scooters the company sells helmets and other accessories. DinScooter put their own label on the scooter to create a strong brand for them. DinScooter has 3 years of guarantee on every new scooter they sell. The actual product-lifecycle is hard to define since the actual design and concept has not changed that much over the years.

There was a demand for the product and DinScooter used a method that analyzed the current demand for the product. In this case they used Internet as a market channel to ask people if they were interested in buying this kind of product. The response was positive and DinScooter decided to order the first shipment from China taking a quite big risk as a micro company.

Before ordering any scooters DinScooter made sure that no adaptment or anything similar was needed for the customer in order to use the product in Sweden. The first scooters that DinScooter ordered were a bit special since they required that the customer had to assemble the scooter on their own. However, nowadays the scooters are almost completely assembled when being sold and requires almost no extra work from the customer.

According to DinScooter it is hard to say exactly who the customer is but they have identified that the biggest target group is people in the age of 15-16 and 25-35. When it comes to the age 17-22 there is not much of an interest since most of them want a car or the reason is that they have already been driving a scooter when they were in the age of 15-16 and therefore do not have any interest in having one.

### **4.1.2 Product launch**

The first activity in the product launch was to analyze the market and see the potential. This was done by putting out ordinary advertisement on the Internet. By doing that the company could easily see the interest of the product and establish contacts with customers. However, the launching plan was not really specified. The idea was to enter the market in a small scale and then try to expand and grow slowly. The plan was to have a secure product launch with as little risk as possible, this because of the small budget and the uncertainty of the market.

The product launch was done in three stages and took little more than a half a year to do. The first step aimed to analyze the market with a limited quantity of products. The second step of the product launch was to get out with the products on the market in a larger scale. The third step was more focused on promotion. DinScooter tried to establish their brand name and put out different advertisement in magazines and on the Internet.

### **4.1.3 Critical Success Factors**

One critical success factor that is important to consider is to look at the risk according to DinScooter. DinScooter was forced to take as little risk as possible. Therefore it was important to carefully look at the available resources and see how these can be spent in the best way. DinScooter also stated that it was important to not go too fast with the product launch and do everything at the same time. The company launched the product step by step in order to limit the risk and for reaching the highest certainty possible.

DinScooter said that timing is also a critical factor when it comes to a product launch. It is a big difference of the market opportunity between high and low seasons. The activities of the product launch need to be adjusted to this and be reflected to the market circumstances claimed DinScooter. For example DinScooter did first a small launch in the low season in order to see how everything worked. This gave them knowledge of the market and they were therefore more prepared for the product launch in the high season said DinScooter.

Pricing can also be seen as a critical factor for the product launch. DinScooter saw the opportunity and the potential to launch the products at lower price than their competitors. This gave them the opportunity to take market shares relatively fast.

DinScooter strives to offer high service to their customers. This differentiates them from much of their competitors and can be seen as a critical factor when it comes to the launch of the company and the products to the market. It is important to have high customer awareness and be available for questions and support. This together with a low price made the product launch successful for DinScooter and can be seen as two key factors to keep in the future.

According to DinScooter the most important factor of the product launch is to be available for the customers. DinScooter offer high customer value by answering customer questions and offer spare parts to their products. Therefore it can also be important to be represented locally, especially within big markets in bigger cities such as Stockholm, Gothenburg and Malmö. As mentioned before, pricing is also an important factor when it comes to the product launch. However, it is the combination of high customer service and pricing that is the most important factor for a successful product launch said DinScooter.

Advertising had not so big effect in the beginning of the product launch. It was more important to get out with the products fast on the market. Advertising which purpose is to build up the brand name need to be considered later according to DinScooter. DinScooter stated that it was more important for DinScooter to pay attention to the internal cash flow and cover the expenditure of the product launch initially.

DinScooter got good response from the market already in the beginning. They had a good mix between customer service and low price which creates good value for money and high customer satisfaction.

DinScooter stated that the company could have spent more time and money on marketing activities if they have more resources from the beginning. However, this was not possible and DinScooter could not see any other major changes they would like to improve for another product launch.

## **4.2 Luda Elektronik HB**

Luda Elektronik was founded in April 2004 by two entrepreneurial students with ambitions to make money. They started with importing wireless micro cameras from China for leisure usage. Their start-off-capital for first order was 12 000 SEK and the first months were troublesome with unpredictable suppliers and unpredictable quality of delivered goods. With superior margins the company could grow its order size thus becoming an attractive customer even for larger suppliers with more stable conditions regarding quality, after-sales-service and delivery-time. Using a website called Minikameran.se™ the company marketed its website as well as its brand in an emerging market thus receiving a fair amount of attention by hobby-enthusiasts as well as other more professional end-users.

Since September 2005, the company changed its focus to supplying the Swedish retail-market instead of selling direct to end-customers which changed the market environment and required higher quantity orders.

### **4.2.1 Product and the market**

The products are wireless surveillance cameras for home usage. Low cost, adequate quality of the cameras allows the customers to monitor their surroundings in an easy and convenient way. The products as well as their advertising material are designed to attract every home user in an appealing easy-to-use way. These products aims for a broad market with a lot of possibilities since one could use these cameras for so many purposes. In fact Luda Elektronik has come up with completely new areas within this market where the cameras could be used. One of them is for example when transporting horses where it before was impossible to monitor the horse inside the carriage when driving. If the horse fell it could seriously hurt the horse but with Luda Elektronik's solution one could monitor the horse when driving even if it is completely dark by using a night vision wireless camera with a handheld LCD display in the front without any cables.

### **4.2.2 Product launch**

According to Luda Elektronik there was and still is a demand for hobby-usage of the product. At the moment they are developing the market of home-surveillance for every Swedish family that has a house with valuable properties and they are constantly looking for new markets.

Luda Elektronik states that after the release of a new working model from China it takes about one year before the large players start to sell the product. After another year the margins of the product is minimized due to intensive retailer competition and transparent market, making the market of the specific product not interesting to retail or import anymore. Then Luda Elektronik as a distributor has to either start looking for new usage areas for the specific camera (new markets), horizontal extension of the market or changing products.

When they got the products they had to understand the needs of the markets and how to communicate that their product satisfies these needs to the markets. It was therefore important for Luda Elektronik to have customer awareness so they knew how to market the product.

Further, Luda Elektronik stated that marketing is vital when you partly have to create the markets for the product and educate potential customers about what usage they can have of the wireless cameras.

### **4.2.3 Critical Success Factors**

When Luda Elektronik was reflecting on their product launches on the Swedish market they stated that the main factor for having a successful launch is to try to identify the possibilities that exists in a market and gain customer awareness in that specific area. Further on Luda Elektronik put emphasis on the importance of having the right price and know how to advertise the product. At the time when Luda Elektronik launched their product they made sure that they had the lowest price among their competitors so that they could market their product claiming to be the cheapest retailer in Sweden. Luda Elektronik did discuss timing as an important factor but the conclusion Luda Elektronik made was that it is important to be among the first. Other than that it was just to go for it but one should remember the wise word for new entrepreneurs:

'New products don't sell by themselves and remember that existing mature products can be re-launched with new usage areas creating new markets. This is what differentiates Luda's marketing strategy from its competition, creating markets - we don't only sell products, we sell markets.' (D. Ludwiszewski, personal communication, 2005-11-30)

## **4.3 SafeTool AB**

SafeTool was established around 2003 with the idea of using the wireless solution RFID (Radio Frequency Identification) technology within the construction business in order to have control of the tools. The main reason for this is that the founders had a connection and a history within the construction business. Further, one person also had experience regarding the RFID but within the logistic business. One could say that the company was founded by four persons where all of them saw the potential with the business idea. SafeTool AB has 8 employees at the moment and the company is directed towards the Swedish market.

### **4.3.1 Product and the market**

One could say that there was a need for the product but the market only looked at the problem which was that a lot of tools disappeared or got stolen from the construction sites. SafeTool came up with the solution to the existing need by using a new technology.

In order to keep the tools at a construction site safe and minimize the theft an RFID system is used to control all the tools.

By attaching an RFID tag on each tool which is connected to a computer system, the system could work like a surveillance system that keeps track of all the tools and informs the responsible persons about which tools that are missing and which tools that are in a certain container. This technology has never been used like this in the construction industry. Further, the technology provides new possibilities that make it easier for people in the construction industry to do their work and keep track of everything. The adaptment for the customer is minimal since the system is so easy to use for the local managers compared to how they had to do before.

The product does not have any special design, it is an electronic label mostly covered in silicon and is around 2.5 cm in diameter and 0.5 cm thick. The product-life cycle is about 3 years due to the battery life time. The product has also changed during time. SafeTool has adapted the product so it suits all kind of companies within the construction industry. Additional features such as creating RFID locks on the inside of the containers have been added to the system so no person who should not have access to the container is able to go in. Other safety features such as motion detectors, alarms and cameras have been added to increase security. The factors that drove the change were a mix of both the customer and SafeTool.

The market is relatively big and has possibilities to expand into new different segments. One example of this could be their new product called Safetank who uses the same technology but for big diesel tanks.

### **4.3.2 Product launch**

SafeTool believes that the product launch is very vital for a small company where the outcome of the launch is evident.

Safetool was engaged in a competition; where several new start-up businesses compete of the best technical product innovation. Safetool placed very well in that competition and got much attention from potential stakeholders. Safetool got good publicity of several technical related magazines. One of them was Computer Sweden which published a big article about Safetool. This gave Safetool the publicity they wanted and a good base to build future marketing and product launches on. Safetool did not have a specified plan for how to launch the product. The product launch went by itself more or less in the first stages, much because of the competition and the possibility to be present it at a technical exhibition.

The product launch did take about a year to do, from the first launch at the exhibition to the different, more specified launches directed to different companies. Since Safetool had the opportunity to be published in several branch magazines the first contact with the market was already done. This contact was very important and helped the company to easier get in touch with potential customers and get positive reactions from them.

The product launch should be in several stages depending on how far the product development has reached stated SafeTool. It takes time to launch a new product. According to SafeTool it is important to take that time and not speed up too much. The product launch needs to be done systematically and thoroughly in order to be successful.

### **4.3.3 Critical Success Factors**

SafeTool offered a new product within the building trade. It was therefore very important to understand and have a good knowledge over the branch. It is important to know the branch time cycle, when it is the high season, exhibitions and so on claimed SafeTool. Another critical factor is to know what the customer wants. It is not an idea to try to launch a new product before a good understanding of customers' need has been reached said SafeTool. According to SafeTool a company needs to have a good understanding of the customers' requests and how to fulfil its needs. Analyzing the customer when developing and launching a product is also important. According to SafeTool, having the customer in focus and involving the customer in the process increases the chances of having a successful product launch. SafeTool for example invited PEAB which is a big group within the construction industry to be part of the development work of this product. PEAB saw a big potential for the product and were glad to be a part of this development project. This, according to SafeTool, led to a smoother launch where SafeTool could adapt the product towards the customer needs.

SafeTool also stated that one should try to collect as much information and knowledge about the branch as possible. With that information the company can adjust their marketing resources in the best and most efficient way. Even the marketing communication can be adjusted in order to fit with the customers need said SafeTool. It is of great value to know and have an understanding about the actors in the branch. It is also important to know the different marketing channels that can be used. Some marketing channels can be more effective to use than others. SafeTool for example said that it can be good to know which magazines that are the most popular in respective branch.

SafeTool mentioned timing, customer involvement and marketing as the three major factors that are critical when launching a product. It is important to have a relatively short time period between the first product launch activities and when the actual product can be offered to the market. Another important aspect that SafeTool mentioned was that it is vital to have customer involvement. Customer involvement should be both before and during the product launch. This creates a deeper understanding and a strong connection with the customer stated SafeTool. At last SafeTool stated that marketing constitutes a major part of a product launch. The marketing activities should support and work as foundation for the product launch and use it to control the product launch and its success.

## 5 Analysis

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*Based upon the empirical findings an analysis will be conducted in this chapter. This chapter compares the theoretical framework on the product launch process with the empirical study on product launch factors in micro enterprises. In the analysis an identification of the different factors involved when launching a new product will be made. These different factors will be analyzed for their relative importance for the outcome of the launch to derive the critical success factors of product launching in micro enterprises. Further, these factors will be analyzed in terms of the related consequences for micro enterprises.*

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### 5.1 Product launch factors

There are several factors that the authors and the respondents mention when it comes to product launching. We have structured the analysis part after the main categories that have emerged as a result of combining theory on the product launch process for micro enterprises with empirical findings on product launching in such firms. The categories that we have identified are; market driven approach, customer involvement, promotion strategy, the time issue and pricing strategy. Finally, we wanted to highlight the critical factors that need to be evident for a successful product launch, which will be discussed in 5.2 *Critical Success Factors*.

#### 5.1.1 Market driven approach

Before a product launch can be carried out it is of great importance to have an understanding of the marketplace and the customer needs. Cooper (2005) claims that customer needs are changing frequently and influence today's market. These changes need to be considered and companies need to respond to the changing customer demand and position themselves in order to survive. Cooper (2005) further claims that it is necessary to quickly respond to new technology. Today's customers expect more features and new updates of existing products on a regular basis. This makes it crucial to be market driven when carrying out a product launch since market knowledge distinguishes the winners from the losers. The importance of being market driven for achieving a successful product launch was mentioned by all of the respondents. Cooper and Kleinschmidt (1987) further argue that good market knowledge is one of the success factors within a product launch.

A market driven approach for product launching is needed to gain the market knowledge required for getting the product to market. Market knowledge is extremely important, especially for micro enterprises as we see it, since this helps in identifying other actors already on the market that constitutes a threat for their existence. Market knowledge also helps the micro enterprises to develop a competitive advantage through increased customer knowledge and demand and thereby taking a strong position in the market. According to Gruenwald (1997), market knowledge is vital to estimate realistic demand figure and being able to control the distribution flows in an effective way. Otherwise product availability would suffer and there is a huge risk that the entire concept would fail (Gruenwald, 1997).

As stated in the theoretical framework, Gruenwald (1997) and Cooper (1994) emphasize the importance of having a strong market orientation in order to offer the right products to the market. Further, Gruenwald (1997) claims that it is necessary to have a description of the target customer in order to be able to position the product correctly. These arguments are mentioned in one way or another by all of the respondents. DinScooter claims that positioning is one of the most important aspects to consider in a product launch.

DinScooter and Luda Elektronik spend much time and effort on positioning and use it as a differentiated strategy. These companies strive for high customer service and try to have a good understanding of the customer needs, which result in a more effective product launch with higher possibility of success.

SafeTool also emphasized the importance of having a good understanding of the customer needs. A clear positioning strategy makes the product launch more successful and easier to manage according to SafeTool.

As derived from the above discussion, we believe that a market driven approach should guide the entire product launch process. This will lead to the companies taking such an approach getting a higher customer involvement which in turn leads to higher customer awareness. A strong market orientation will also have the effect of making more accurate timing decisions which will be reflected in the pricing strategy since the timing of getting the product out to the market highly decides the price level. This is especially true in markets with high price sensitivity.

### **Risk awareness**

Another factor that DinScooter mentions is to look at the risk. Often new and small start-up businesses are forced to take as little risk as possible. Therefore, it is important to perform risk evaluations according to DinScooter. According to DinScooter it is also important to consider risks related to political or legal matters that will influence operations.

It is important to have good objectives according to Cooper (2001) in order to minimize the risk involved in a product launch. This could be a set of criteria for decision making within the product launch based upon quantifiable and measurable factors within a specified time frame. Risk awareness also makes it possible to avoid potential pitfalls just by being aware of the risk and perhaps find ways to work around them.

### **5.1.2 Customer involvement**

Customer involvement could be an important aspect in order to position the company and the product. SafeTool used a lot of customer involvement within their product launch. SafeTool claims that customer involvement should be used before and during the product launch in order to create a stronger connection with the customers. Soni and Cohen (2004) also emphasize this and claim that it is very important to understand and listen to the market before a product can be launched. Soni and Cohen (2004) further argue that it is important to be customer-centric rather than product centric in order to understand the customers' needs. Therefore it is of great value to have an effective communication with the company's external partners and customers.

Cooper (2005) claims that customer needs are changing regularly over time. It is therefore very important to have a good understanding of the customer and try to foresee new demand within the market. In order to constantly respond to changes in the demand situation it is necessary to involve the customer within the product launch process.

DinScooter strives for high customer service. This is done by having customer involvement as part of their business strategy. DinScooter claims that customer involvement is especially important to have within the product launch process to take a strong position on the market.

Luda Elektronik tried to involve different customers in testing the products and evaluate the usefulness of their cameras, so that Luda Elektronik could get valuable customer knowledge regarding the product benefits and disadvantages. This made it possible for Luda Elektronik to focus on the product advantage and cope with the disadvantages. A competitive advantage can not just be gained through innovations entirely new to the market. Rather, it can often be easier to build upon an already existing concept and make it better, creating a new competitive advantage since much of the market is already known.

In short, we come to the conclusion that a high customer involvement brings higher customer awareness through increased customer knowledge. If not engaging the customer directly in a customized solution, try to integrate them when performing the product testing.

### **5.1.3 Promotion strategy**

Cooper (1994) claims that promotion activities must be seen as an integral part within the product launch which corresponds to SafeTool's integrated approach of marketing activities during the launch process. This is also mentioned by Rau (2005) which emphasize the importance of having a strong link between product development and the promotion strategy. It is important to consider how and to what extent promotion should take place within the product launch. SafeTool also mentions that the product launch should be divided in different stages depending on how far the product development has reached.

DinScooter claims that promotion did not have a big effect in the beginning of their product launch. They put more money and resources on activities that brought the product out on the market initially. The promotion which purpose was to build up the brand name was considered later in their business plan.

SafeTool tried to collect as much information as they could from the branch. With that information SafeTool could adjust their promotion resources in the best and most efficient way. The marketing communication was then adjusted to the customer needs, targeting the right segments. SafeTool also claims that it is important to be aware of the different marketing channels that exist in order to use the most effective one for the present situation.

In the beginning Luda Elektronik made sure to spread the word about their new site on all the discussion forums they could find that had a connection to their cameras. They also tried to promote their product as the cheapest one on the market since they were a small company. Further, they did not have the financial assets which were required to carry out a huge product launch by using traditional marketing tools.

Clearly, micro enterprises do not consider promotion to the same extent as larger corporations, mainly because they often lack financial resources. Rather, micro enterprises tend to focus on what we would call "smart promotion", which is promoting the product in an effective way with minimum amount of resources. This could as mentioned by Luda Elektronik and DinScooter involve the use of the many possibilities of the Internet with web-, trade & auction sites and forums specifically directed towards the target customers of the company. SafeTool used the advantage of section specific fairs which drew attention to their product in newspapers and magazines directed towards the target group.

DinScooter also had a good example of smart promotion with the use of own labels on the imported scooters before distributing them further to the end customer.

Cooper (1994) argues that none product advantages do not have the same impact as product advantage but based on the discussion above with the respondents we do not agree with Cooper (1994) since we could identify that by using “smart promotion” one could still be successful even though the product itself do not have any advantage compared to the competitors products as we saw in the case with Luda Elektronik and DinScooter.

#### **5.1.4 The time issue**

When launching a product it is important to be at the right place at the right time. Seasonal variation in demand will influence the entire launch process when bringing the product out to the market. Therefore, timing is an important factor to consider when launching a product. All respondents mentioned timing as one of the key factors of a product launch. A plan for the product launch needs to be established with a specified time frame for the launch with related milestones and deadlines.

The product launch activities can be managed differently depending on different seasons and other timing aspects that can influence the market and its potential. Further DinScooter claims that it is important to be prepared time wise before a product launch can be carried out. Gruenwald (1997) also brings up the timing aspect when it comes to product launching. According to Gruenwald (1997) it is necessary to have good timing in order to improve the media efficiency in a product launch.

SafeTool mentioned timing and place of the launch as one of the critical factors when launching a product. According to SafeTool it is essential to gather all possible knowledge of the branch you will operate in, especially the branch time cycle. SafeTool further claims that a short time period needs to be present between the initial product launch activities and when the product is offered to the market. According to SafeTool it takes time to launch a new product to the market, therefore the launch needs to be done systematically and divided into different stages.

Luda Elektronik did not talk so much about timing but they stated that one of the factors to success was that they had such a new product on the Swedish market so it was truly the right time for it and Internet was definitely the right place for promoting the product in an efficient way related to the limited resources of the company.

As a conclusion, we see that timing aspects are especially important for micro enterprises since it decides the present price sensitivity of the market, for example related to seasonal variations in demand. A strong market orientation will facilitate better timing of when to launch the product since it decides if the market is mature enough for this kind of product and the right time for the launch. All market circumstances must be taken into consideration when to launch the product according to DinScooter. A reason for failure could according to Gruenwald (1997) be that the product benefits are too innovative and ahead of the market which makes market timing crucial to consider when launching a product.

### 5.1.5 Pricing strategy

Price is an important aspect to consider within a product launch. The price needs to be at the right level and accepted by the market before the product can be launched. The plan of the product launch should address pricing as a key objective since it can influence the result to a great extent. Gruenwald (1997) claims that pricing should be an important factor to consider in the communication process of the company. However, both the target market and the positioning strategy must be specified before deciding on which pricing strategy to apply (Cooper, 2001). Pricing issues needs to be determined and analyzed in order to come up with a pricing strategy that corresponds with the customer needs and the characteristics of the market. The pricing strategy must be in place before a product can be launched to the market. This involves not only setting the price for the product but also to decide upon launch discounts and promotional activities (Hart & Tzokas, 2000).

Luda Elektronik had in their strategy from the beginning that they should have the lowest price on the market and therefore, pricing became a very important factor for them. However, since they were among the first on the market, no true competition existed so initially they priced the product a bit higher enabling them to lower the price after a while. Still when Luda Elektronik launched their products they were really cheap so one of the main factors for having a successful launch is truly pricing according to Luda Elektronik. One could still say that Luda Elektronik applied a combination of skimming and penetrating pricing strategy with an initial relative high price because of the lack of serious competition and then lowering the price to maintain a low-price profile (Cooper, 2001). Lowering prices facilitates faster market expansion as Cooper (2001) emphasize but according to us it should only be used in markets where it is appropriate with this kind of pricing strategy.

DinScooter saw pricing as a critical factor for their product launch. DinScooter claims that the right pricing strategy can create opportunities that will result in a more successful product launch. DinScooter saw the opportunity in launching the product at a lower price than their competitors which made it possible for DinScooter to take market shares relatively fast. According to Hart and Tzokas (2000) this can clearly be related to penetrating pricing.

Both Luda Elektronik and DinScooter claim that it is important to have a good mix between customer service and a low price. This mix creates good value for money and high customer satisfaction according to them.

Pricing was something that SafeTool did not mention when talking about different factors, perhaps because their products were not that price sensitive due to the innovative and unique characteristics of the products. Highly innovative products tend to be priced in line with a skimming pricing strategy with an initial high price until serious competition arise (Hart & Tzokas, 2000).

To keep in mind is the words of Cooper (2001) that a product should be priced based on the product's worth not on the product's cost which is still common among companies according to Cooper (2001). The goal of any cooperation should be to maximize profits. We believe and share the thought that the pricing strategy should be interlinked with the product advantage and the price sensitivity of the target market in order to achieve a sustainable competitive advantage.

## 5.2 Critical Success Factors

It is a clear connection between the critical success factors among the respondents and the literature. All of the respondents mention almost the same critical success factors when they launched their products. The literature also brings up these factors and supports the respondents' answers. The following factors; market oriented/driven, customer involvement, customer awareness, timing and pricing have been identified by us as critical success factors when launching a product for micro enterprises. Risk awareness was also a potential success factor. However, it was only mentioned by DinScooter and therefore we did not identify it as a critical success factor. Still, we believe that risk awareness is necessary to bear in mind when launching a product.

### Market oriented/driven

Strong market orientation is a critical success factor according to Cooper (1994). The development of new products and the product launch need to be customer focused and market driven. Cooper (1994) emphasizes the importance of having a deep understanding of the customers' needs and wants. A strong market orientation is mentioned by all of the respondents as the main critical success factor when carrying out a product launch. The market driven approach will form the basis for the other factors working as an overall process. The market driven approach means letting the market guide the decision making during the product launch process. It involves such things as analyzing the market for new possibilities, identifying potential threats and gaining the market- and customer knowledge needed to perform a successful launch.

A strong market orientation is extremely essential for micro enterprises since they are very dependent on the market and its behavior due to the limit in size and financial resources. This can be compared to a larger corporation which can to some extent override the market through huge amount of money put into advertising and promotion of the product. A large company can to a greater extent create a need for a product that did not exist before, compared to a smaller company with limited resources.

### Customer involvement

SafeTool mention customer involvement as an important factor to consider. According to SafeTool it is essential to know what the customer really wants. SafeTool further claims that it is no idea to launch a new product before the company has attained an understanding of the customers' needs and wants. By involving the customer early in the development stage good information of customers' needs and wants could be reached and be used in the product launch.

Soni and Cohen (2004) argue for the importance of being customer-centric in order to understand the needs and wants of the customer. Involving the customer in the product launch process will help foreseeing new demand. This is especially important today since the needs of the customer is constantly changing (Cooper, 2005). DinScooter claim that involving the customer enables the company to keep a high service level. Further, Luda Elektronik used customer involvement as part of their testing program to evaluate the advantages and disadvantages of their products. Micro enterprises can really benefit, as we see it, from involving the customer in the product launch process since a lot of valuable input can be gained from this enabling the micro enterprise to test the product concept before an actual rollout. It could even help the micro enterprise to find their competitive strength and to find a unique position on the market offering a higher customer value.

### **Customer awareness**

High customer awareness is an essential part of a product launch. Knowledge of the customer and its behavior needs to be considered in relation with the product for determining the competitive advantage and what position to take in the market. Micro enterprises should focus on being close to the customer in every sense since this is where most of their strength and possibilities exists.

DinScooter emphasizes the importance of having high customer awareness and being able to offer a high customer value. Both DinScooter and Luda Elektronik highlight the importance of a clear description of the target customer and its behavior. This will according to DinScooter and Luda Elektronik lead to a more distinct positioning strategy for the company. This is also mentioned by SafeTool that claims that it is important to understand and have good knowledge of the branch before a product launch can be carried out. A clear positioning strategy makes the product launch more successful and easier to manage according to SafeTool. An in-depth understanding of customer needs and wants, the nature of the market and the competitive environment are vital for success, still they are often missing (Cooper, 1994).

### **Timing**

All of the respondents mentioned timing as one of the key factors of a product launch. Cooper (2001) mentions milestones as an important factor to consider in order to guide the product launch time wise which is also mentioned by the respondents. DinScooter claims that timing is a critical success factor within a product launch. Luda Elektronik also believe timing is important and emphasize the importance to be among the first to launch the product on the market. SafeTool states that one need to consider timing in order to carry out a successful product launch. Before a product launch can be rolled out it is necessary to know the seasonal variation of the product and its target market as well as the branch's different time periods. As a conclusion, we see that timing aspects are especially important for micro enterprises with limited resources since it decides the present price sensitivity of the market.

According to Gruenwald (1997) it is necessary to have good timing in order to improve the media efficiency of a product launch. SafeTool further argues for a short time period between the initial product launch activities and when the product is offered to the market. According to SafeTool it takes time to launch a new product, therefore the launch needs to be done systematically and divided into different stages. Another important point Gruenwald (1997) makes is that the product could be too innovative and ahead of the market which makes timing aspects even more significant to consider for micro enterprises existence.

### **Pricing**

Pricing is also identified by us as a critical success factor when launching a new product. Luda Elektronik believes that it is important to have the right pricing strategy before the product launch. This involves not only setting the price for the product but also to decide upon launch discounts and promotional activities (Hart & Tzokas, 2000). This was also emphasized by DinScooter that saw pricing as a market opportunity and launched their products at a lower price than their competitors. Luda Elektronik used the same low price strategy where they tried to launch their products at the lowest price possible on the market. Pricing is definitely related to the timing of the launch since timing decisions decide upon the present price sensitivity on the target market.

## Analysis

Pricing can definitely be a market opportunity but it is still risky for a micro enterprise to base the entire product concept around price. A low price concept can easily be copied by larger actors that do not bear the development costs and therefore have the possibility sell the same products at an even lower price than the initial start-up venture.

SafeTool on the other hand thought that pricing did not constitute a critical success factor for their specific product launch. This could perhaps partly be explained by SafeTools unique product and the relative product complexity. Cooper (2001) makes a good point, that a product should be priced based on the product's worth not on the product's cost which is still a common approach. If it is a very innovative product that is clearly unique to the market it can perhaps be priced much higher than a modified product concept offered to a new market. Still, it is the price sensitivity and the present market situation that decides on which pricing strategy to undertake. That is why we come to the conclusion that pricing is one of the critical factors to consider when launching a new product.

## 6 Conclusion

*Based on our purpose this chapter will present the result and our conclusion of the thesis. The conclusion is derived from the analysis where we have identified and analyzed the critical factors when launching a new product for micro enterprises. Finally, a model has been developed by trying to find relations among the identified critical success factors of product launching.*

Based on the analysis we have derived five critical success factors for micro enterprises when launching a new product. All of the following critical success factors were highlighted by all of the respondents (see section 5.2) except pricing which was not mentioned by SafeTool as a critical factor probably due to their innovative product.

### ***Identified Critical Success Factors***

- **Market Driven Approach**
- **High Customer Involvement**
- **High Customer Awareness**
- **Timing**
- **Pricing**

Based on these critical success factors and the analysis in section 5.2 we have developed a model that visualizes the different factors and their correlation. Further, an explanation of the model is given and why this is of importance for micro enterprises.

### **Critical product launch factors**

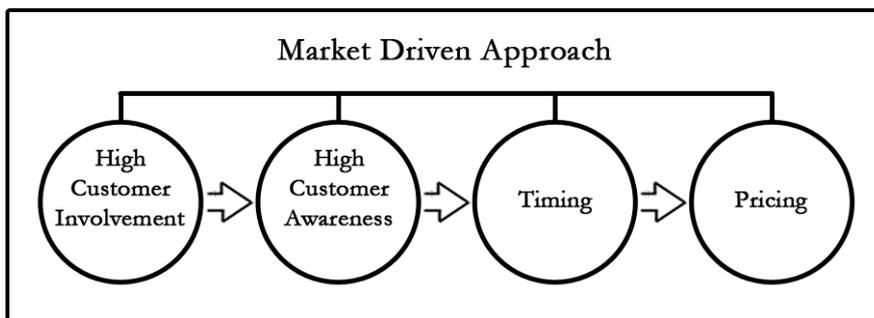


Figure 6.1 - Visualization of Critical Success Factors

The entire product launch process should have a strong market orientation with a market driven approach. The market driven approach should be seen as an overall approach that will positively affect all other identified factors. The market driven approach is the basis for all of the other four factors existence. A market driven approach will lead to higher customer involvement and awareness. This approach will also give valuable insights for what timing and pricing decisions to undertake.

Market knowledge helps the micro enterprises to develop a competitive advantage through increased customer knowledge and demand and thereby taking a stronger position in the market. A market driven approach is more important for micro enterprises than for larger companies since they are more dependent on the market situation due to often limitations in size and resources.

## Conclusion

If we look at each and every one of the four factors that falls below the market driven approach, every factor is linked to another factor, like a chain, each affecting each other positively.

Involving the customer in the product launch process for micro enterprises can really be beneficial. This is due to the valuable input that can be gained through this, which enables the micro firm to test the product concept before an actual rollout. Our understanding is that it could even help micro enterprises to find their competitive strength and to take a unique position on the market offering a higher customer value.

A high customer involvement will result in a higher customer awareness and knowledge as we see it. Micro enterprises should focus on being close to the customer in every sense since this is where most of their strength and possibilities exists.

Higher customer awareness and market knowledge will lead to better grounded timing decisions for the product launch. Timing aspects are especially important for micro enterprises with limited resources since it decides the present price sensitivity of the market.

Finally, the timing of when to launch the product is highly correlated with the pricing strategy due to the price sensitivity of the market. Pricing can definitely be a market opportunity but it is still risky for a micro enterprise to base the entire product concept around price. A low price concept can easily be copied by larger actors that do not bear the development costs and therefore have the possibility to sell the same products at an even lower price than the initial start-up venture.

Through analyzing all of these factors we have also identified “smart promotion” as a tool when launching a product. Smart promotion is a way for micro enterprises to find new innovative ways to promote their products that is effective and cost efficient due to often limited resources.

As a final conclusion, high customer involvement, high customer awareness, good timing and a well thought out pricing strategy will help companies in achieving a successful product launch.

## 7 Concluding discussion

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*In this chapter reflections will be presented based upon what we have learned by conducting this research. In the end of this chapter we try to look what kind of areas and questions that could be dealt with in the future by doing further research within this research area.*

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### 7.1 Method criticism

In this thesis we have been able to derive some factors that seem to be critical for having a successful product launch. We believe that the method we used for this thesis therefore was valid enough for the purpose of this thesis. However, it might have been a good idea to perhaps conduct a pre-study where some companies were asked if advertising really has an impact on the product launch or if it is enough to just have a good product. The answers we received from the respondents were comprehensive and detailed which made it easier for us to analyze and identify those factors that had a big impact on the product launch.

Using a quantitative study for this thesis would not have given us the understanding necessary to derive those conclusions we came up with. This is due to the fact that by having more open discussions and interviews one is able to draw more comprehensive conclusions because one receives a broader understanding of the topic and the respondents' situation. This generates a higher degree of internal validity and hopefully the external validity was affected by that. However, with more time we would be able to interview more companies which would increase the level of external validity. Despite that, we believe that our conclusions are valid even for other companies which are in the phase of launching a new product, where they could bear our identified critical success factors in mind to achieve a higher success rate for the product launch.

At last we would like to comment on the reliability where we have tried to present the method and procedure in a way that should be easy to follow. For example we have our guide for the interviews that we have been using for conducting the interviews which are presented in appendix 1. Instead of an interview guide we could have used a specific interview sheet with strict questions to be able to increase the reliability. At the same time we would not have received such comprehensive answers in that way without any follow-up questions which could have affected the whole thesis and its conclusions. On the whole picture we believe that in relation to this thesis purpose we have used a good method including the research approach, information gathering techniques and presentation of the data in order to answer our purpose.

## **7.2 Further research**

This thesis could lay as a foundation for further studies where our result could be tested as well as being used in other research areas. We have come up with some ideas for further research based on our thesis:

- One could test our result with a quantitative research to discover if more companies see that these are the crucial factors when launching a new product.
- Do a similar test but look at bigger companies and compare the identified critical success factors with our result.
- Conduct a case study where one is looking on the whole process of launching a product from idea to product launch and then try to identify the main obstacles on the way and which factors that are important for certain types of products.

## **7.3 Acknowledgement**

To all the respondents and their companies a big thanks for taking the time to help us to make this thesis possible. Further, we would like to dedicate a special thanks to our tutor Jean-Charles Languilaire and the girls in our seminar group for the valuable feedback they gave us.

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## Appendix 1 - Interview Guide

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Daniel Abdiu  
Mikael Strandberg  
Martin Stridsberg  
Dataekonomiska programmet

Företagsnamn  
Respondent

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*Topics and a selection of questions from the complete interview*

### Opening

Your current position, tasks etc.?

Tell us a bit about the company (history etc.)?

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### Business

Overall explanation of the company?

- What kind of product(s)?
- What is New with this product?
- Is it a complex product? (Hard to grasp/understand for the customer)
- Design etc.?
- How long is the product-lifecycle according to you?
- Development time of the product?

How did you come up with the idea for this new product and why start an own company?

What is your view of product launching?

- What kind of influence did it have on your company?
- In which way have the product been changed over time?  
(And what factor(s) did drive the change?)

Was there a demand for the product or did you have to create a need for it?

How did you analyze the customer to create a need/fulfil an existing demand?

What kind of adaptment is necessary for the customer in order to use the product?

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How big is the market, broad market or smaller market segment in focus?

How often do you develop new products?

Does the company have product development in its strategy?

How much of the resources do you dedicate to product development? (Time and money)

**Steps when launching a product**

What kind of activities preceded the actual launch?

Did you have any plan for how to launch the product?

How much time did it take to launch the product?

When and how did you measure the success of the actual launch?

What are the critical issues/factors that one needs to consider when launching a product?

How did you manage to deal/cope with these issues/factors in this case?

In what order would you place these factors where the first is the most vital one? – Why?

What kind of significance has advertising when launching a product according to you?

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**Conclusion**

Do you consider the product launch as successful?

If you would launch a new product now what would you do that is different from last time?

- Why?

Further comments and corrections

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