



High-Definition News

Bottom-Up or Top-Down... What is Your New Product Strategy?

By Clark Crowdus

Cities throughout America are suddenly getting offers they can't refuse from outfits like Google, which recently proposed wiring the entire City of San Francisco for Wi-Fi—gratis. Other firms are getting into the act as well. For example, Earthlink and the City of Philadelphia just inked a Wi-Fi freebie for that metropolis. Minneapolis and Sacramento are also in various stages of discussions with Wi-Fi providers.

In this process, telecom giants and cable companies are being challenged to defend their turf. The point is that new products such as Wi-Fi can cause tectonic shifts in the competitive landscape. And from a marketer's point of view, the ability to insert dynamism into an otherwise fairly quiet market space is pure excitement *for those doing the inserting*.

But normally, new product development isn't quite so dramatic. Usually, it's a very systematic 'top-down' or 'bottom-up' process. In the former—in fundamental terms—a *business strategy* drives product development, while in the latter, *the marketplace* drives development.

'Bottom-up' occurs when a company fuses its core competencies with its corporate culture either to develop products for newly emerging markets or to reposition existing products to address these new markets. It's the domain of the traditional giants of product marketing such as Procter & Gamble.

P&G is masterful at taking its long-time products and breathing new life into them. For example, the company created an online community around its skin-care lotion, Oil of Olay, called "Club Olay." The site collects information about customers and how they use the product. P&G learned that Club Olay members skewed younger than the traditional audience for Oil of Olay products, ultimately prompting the company to start a new line called Ohm—aimed specifically at younger consumers who may have perceived Oil of Olay as something their parents and grandparents used.

In financial services, Health Savings Accounts (HSAs) in the US are a good example of how the 'top-down' process works. The market for HSAs was created by legislation in 2003 allowing individuals to make 100% tax-deductible contributions to an HSA that can, in turn, be withdrawn tax-free to pay for medical

contributions to an HSA that can, in turn, be withdrawn tax-free to pay for medical expenses. These are federally-enabled 'line extensions' to the popular Flexible Spending Accounts (FSAs) offered by many companies to their employees.

Responding to this newly created market, banks have begun to develop HSA accounts. These have multiple options for investing accumulating funds and multiple access points for the funds, including debit cards.

In the media marketplace, the 'bottom-up' process includes new print publications and broadcast programming that appeal to narrower and narrower audiences, which, despite their seeming lack of critical mass, nonetheless pencil out as an economic prospect. For example, reality shows were born on MTV with "The Real World," where individuals from different backgrounds were thrown together in a house and forced to live with each other's habits and personality quirks. Based on its success, the major networks have quickly cloned the concept, broadening and glamorizing reality shows to appeal to ever broader audiences.

'Bottom-up' new product strategies are characterized by the ability of *communication of features and benefits* to generate trial with target audiences. Consumer packaged goods products typically fall into this category.

'Top-down' strategies often rely upon *consumer experience with the product* to ultimately modify the consumer's behavior to embrace the product. Consumer payment products and high-tech products come to mind. As an example, look no further than the PC in its years of infancy. While difficult to navigate, the PC's consumer value proposition clearly came through *upon use—and facility with the product*.

'Top-down' hits are much rarer, but can lead to entirely new business categories for first-movers. And the mortality rate for new products is high—upwards of 90%—but the rewards for a 'hit' are well worth the time and expense.

For those running businesses, it's particularly important to be familiar with the 'bottom-up' process for new product development. Following are four basic steps for the 'bottom-up' process:

Survey historic new product performance—The first step in a new product survey is to identify all new products developed and/or launched during the past five years by your company and your competitors. Categorize them by type. For example, new-to-the-marketplace, new-to-the-company, line extensions, repositionings, improvements, licenses, or joint ventures. This makes it easier to measure the results of each type separately. This will keep you from spending too much time and resources on losing product propositions.

Assess functional strengths and weaknesses—Measure the efficiency of the company's internal processes for initiating, developing, and launching new products. Evaluate which techniques and methods must be improved or enhanced to support new product development efficiency.

Benchmark for best practices—This puts your company's internal results and processes in perspective by looking at what other companies—in the same and related fields—are doing. The objective is to incorporate the “best of the best” and then blend those characteristics with your company’s unique strengths in new product development.

Create a functional team—Gather together the human resources that best match the process. Cross-pollinate from a variety of relevant functional areas and get the team to collaborate efficiently using a variety of team-building techniques. Be sure to clearly define roles and responsibilities.

Conduct consumer research—utilize both qualitative and quantitative techniques to get at unmet consumer needs; then, postulate solutions to those needs.

These are just a few of the steps often utilized to create an effective ‘bottom-up’ process for new product development. But bear in mind that for each company, this process will be different based on culture, business category, and management commitment.

The body of knowledge about new product development is vast and available from a variety of sources. New product consultants can often help guide your company through the creation of a process that is tailored to your business and that will allow the enterprise to engage in the crucial work of new product development.

You don’t have to be Google or Procter & Gamble to come up with innovative ideas. You just need a thorough process that works for your company.

Your feedback is welcomed and should be directed to Clark Crowder, Principal, High-Definition Consulting Group at clark@high-def.biz.

Resources:

The following resources are recommended by High-Definition Consulting Group:

Academic Institution: CalTech – Courses in New Product Development

http://www.irc.caltech.edu/courses/New_Product_Fast_Cycle_Development.htm

Association: American Marketing Association

<http://www.marketingpower.com/bestpractices374.php>

Article: “The Next Phase: Bottom-Up Marketing (Future)” High-Beam Research http://www.highbeam.com/library/doc0.asp?docid=1G1:131827019&refid=ink_tptd_mag&skeyword=&teaser

http://www.highbeam.com/library/doc0.asp?docid=1G1:131827019&refid=ink_tptd_mag&skeyword=&teaser

Article: “Top-Down, or Bottom-Up? One Company’s CRM Roadmap”

DMReview http://www.dmreview.com/article_sub.cfm?articleId=5815

Association: Product Development and Management Association (Glossary)
<http://www.pdma.org/library/glossary.html>

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