

PLAYBOOK

The **One Innovation Problem** your Company Must Crack



38%

of new products fail because of missing market demand

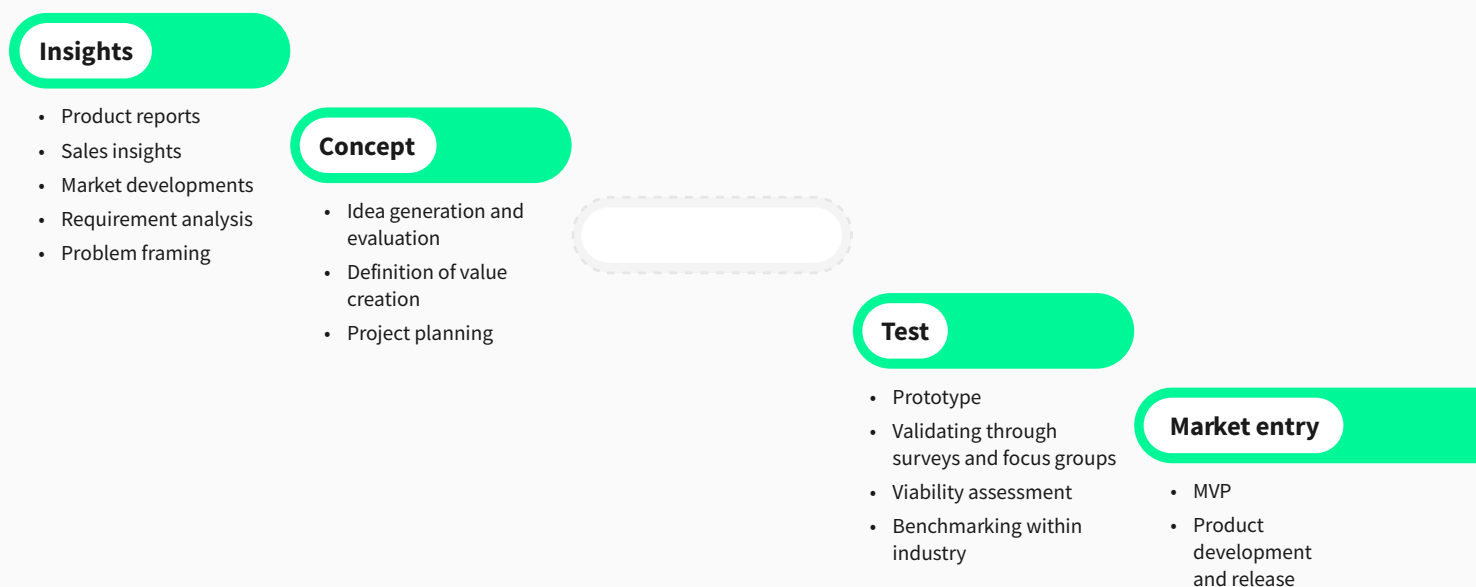
You read that correctly. A recent study conducted by CB Insights that analyzed over 100 new product failures since 2018 discovered that 38% of those failures can be attributed to missing market demand.

These products that shut their doors aren't any old small startup in a garage either; they are businesses that have tens if not hundreds of millions of dollars in funding. We can only assume a business of this size did their fair share of market research to ensure their product was going to be a success, so why have such a high percentage of them failed because of missing market demand?

Because the current market validation process is broken, it's missing a critical piece that can give you precise data to understand whether your product will be successful or not.

Current innovation process

The current new product innovation process looks like this:



Innovation teams gather mostly qualitative data through customer surveys, interviews and other field engagement tactics. While these insights are valuable and can give you a good understanding of the Why, the market and hypothetical demand post-launch, they are based on a snapshot of that period as opinion data.

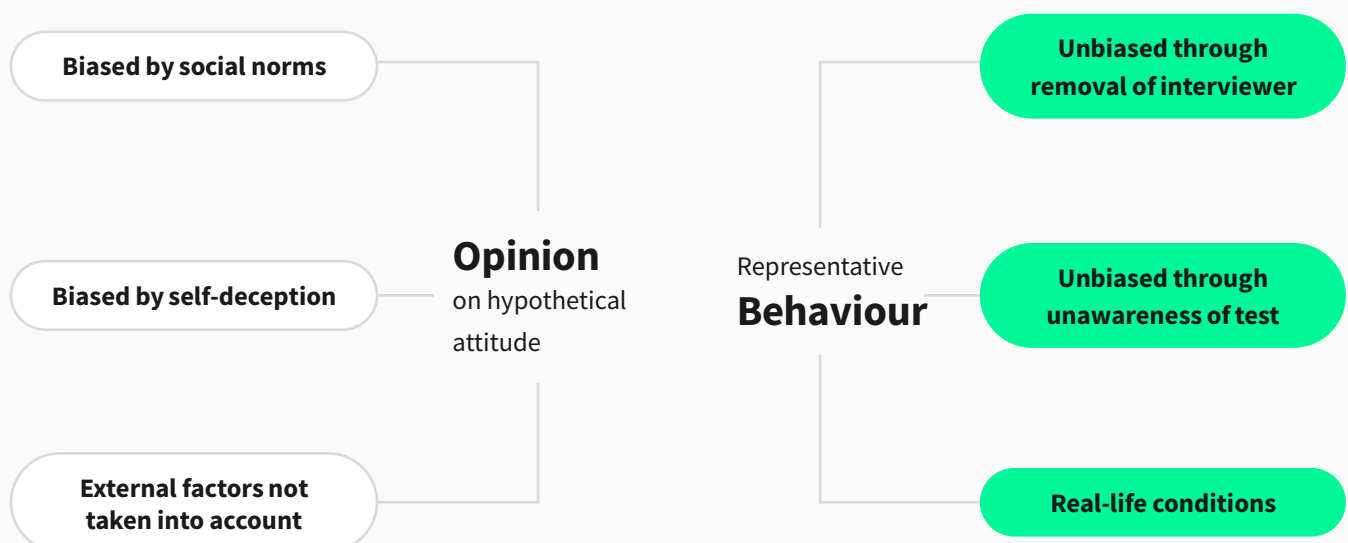
Why is this a problem for the innovation success?

Using only customer opinions will mislead you because of its biased nature.

It has never been easier or more inexpensive to gather swathes of opinion-based and qualitative customer research data with traditional opinion surveys or through sentiment analysis and natural language processing. But it still has one major flaw; it is all still opinion-based on a set moment in time.

Those opinions are influenced by many external factors that can't be taken into account and are biased on a perception that a person has of themselves or your product. In essence, it's not a valid, real-world representation of customer needs.

Outside of the external audience being used for your research, other issues can occur when incorrect statistical methodologies create insights that result in results that are further from the truth.



The missing link:

Pre-product behavioural data on market interest

Collecting behavioural data is the best way to find out the actual preferences of your consumers, but also a method rarely used and instead replaced by surveys or focus groups.

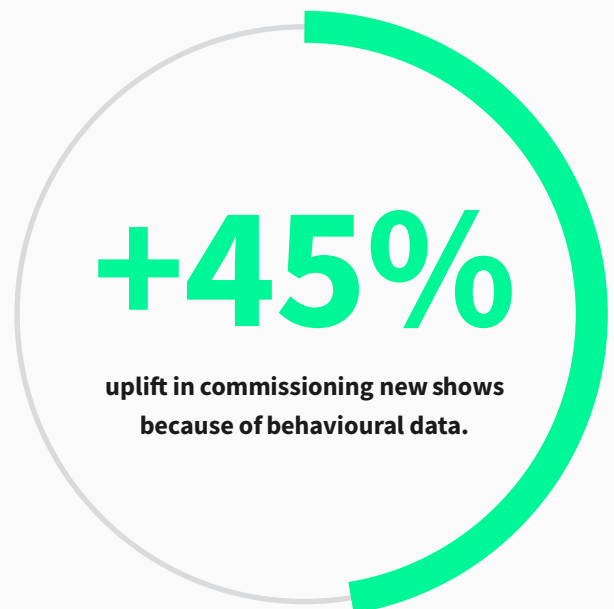
Behavioural data on the other hand, is efficient to collect, inexpensive and can deliver accurate data on what consumers actually do versus what they say they do. So much so that companies like Netflix have closed the doors entirely on focus groups.

The Netflix process was much like a consumer-centric research process. They would gather information from focus groups and traditional market research models, reference this with trusted industry reviewers and create a new show based on the insights gathered.

However, they found this resulted in more flops than successes. Until they changed their process and started using their vast data streams to study the real-world behaviour of their users. One can experience this in action easily as a viewer, with different trailers being shown, different show covers and priorities in watch lists. For their House of Cards show, if you watched many films with Kevin Spacey, they would show you the trailer that focussed on his character.

Changing their insight gathering process resulted in an uplift in commissioning a new show from 35% to 80%.

This is the power of true behavioural insights, which you need to acquire even before you develop a new product.



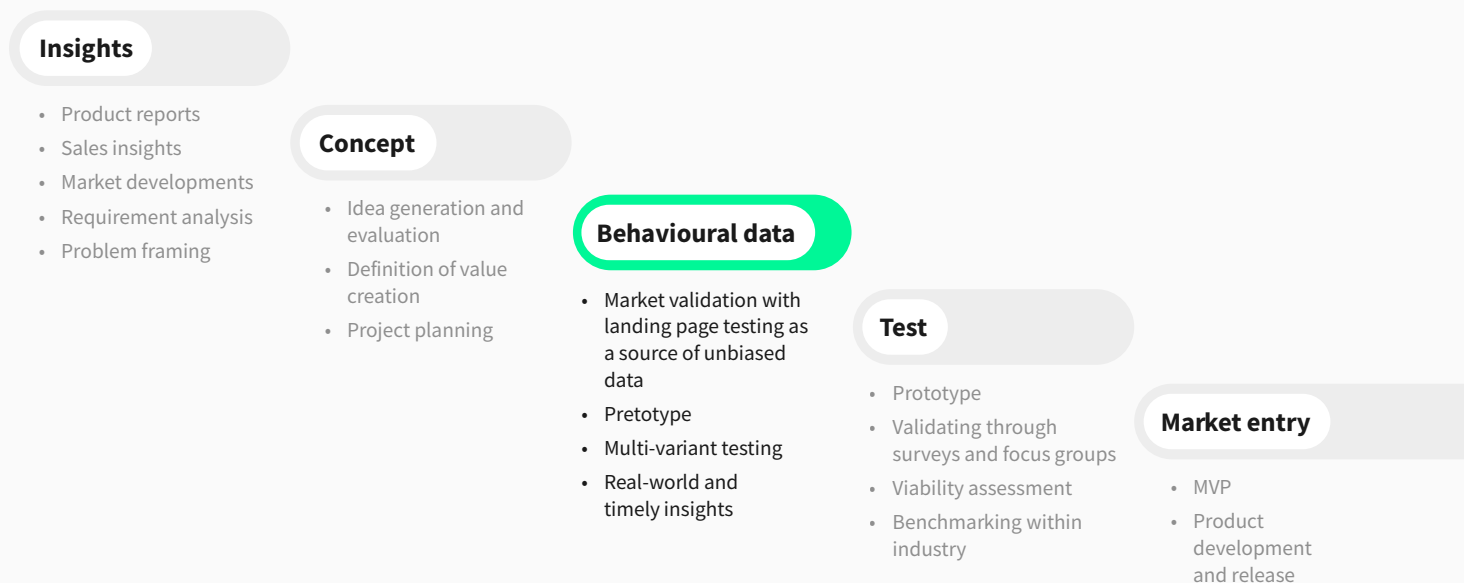
Where this fits into the process

Gathering behavioural customer data should occur between your preliminary data gathering and before any prototype or product development.

The reason for this placement is that it allows you to gain an initial understanding from your consumers whether this product is worth progressing any further.

Still, then the accurate data gathered in the behavioural step gives you a better understanding of whether it should go into development.

Once you have your initial insights, you can include these into your product hypothesis which will in turn help you align on what a successful behavioural data mission looks like.



The best option to gather behavioural data on market interest is through landing page testing, also known as pretotyping or fake door testing. Running these types of tests require minimal setup and time yet offer truly unbiased, real-world behavioural data.

The challenges of market validation with behavioural data

The process involved with traditional market research methods, such as surveys and focus groups, has been used for many years and is a well-oiled machine with tried and tested methodologies.

Collecting behavioural data at scale, however, has not. It is something that only has been proven to be worthwhile and possible with recent technologies. This means that there are gaps in the knowledge and experience in innovation teams to effectively collect this data pre-product.

Sure the Netflix example previously shows how this type of data and collection method can have significant gains. Still, they are using an extensive database with an existing product; most of the time, we aren't that lucky.

How do you then conduct market research for a product that doesn't yet exist, with a process that has no standardized approach or tools to help you? Previously you would have to employ the expertise of an agency or connect multiple tools yourself to gather results.

With this area becoming more prevalent and more essential than ever, more tools and standardized practices are starting to come to light, producing more significant results than any opinion-based data collection could.

How to set up a behavioural data gathering mission

You are convinced on the reasons to start adding behavioural data into your innovation process but still unsure about the best way to structure the process to collect this data? This is how Horizon structures tests to get the most reliable and consistent results.



Create your test hypothesis

Starting off, you need to create a hypothesis for your test. This will be the basis of how you are going to track the success of your tests.



Design your test variants

Next, you need to plan out and design the variations of your social media ads and landing pages to make sure you are getting valuable data from varied test scenarios.



Build your test

You need to build your designed social media ads and landing pages in the tool or tools you think work best.



Run it

Now you need to run your tests for the field time you have defined. Horizon suggests a week's run time. That way, you can usually achieve statistical significance and plan for other tests in your process.



Analyze your data

Now you need to collect the actionable insights that will inform you of the actual market demand for your new product and help you understand your customer more.

Takeaways

Mix behavioural data into your innovation process for a higher chance of success

Declarative data is great to have; behavioural data qualifies the opinions you have gathered.

Horizon

**Crack data-based
market validation
with **Horizon**.**

Book a demo