LAUNCHING A NEW PRODUCT INTO THE USA RETAIL MARKET:

SOME DO'S AND DON'TS

Vaughan Wiles
President, Mango International Inc

While all products are different and present unique challenges, several common themes emerge which have a fundamental impact on success or failure. This paper distills some of the lessons learned from close involvement in product launches across many categories of USA business, with a particular focus on suppliers bringing new products to the retail market for the first time.

YOUR CUSTOMERS ARE AMERICANS!

But who are they?

There is no single "America". This market is fragmented into clusters.

In comparison with older and more traditional societies, Americans are socially and economically mobile. So they tend to choose the lifestyle they wish to live, rather than accepting what they were born into.

When they make these lifestyle choices, they tend to identify closely with other members of the same cluster. A cluster, and a sub-cluster, will share attitudes to dress, play, work, thought, recreation – and product choice.

The cluster therefore becomes the primary group that defines shared values, and that drives common purchase decisions. Some examples:

- 65 year-old retirees drive to Florida in winter….not in Saabs, but Buicks. They will have a military cap on the back window sill. They like electronics with big letters.
- Harley riders like big breakfasts, riding in big packs, and big everything. They like their stuff made in America. They like leather. They don't eat Tofu.
- North East liberals don't enjoy being seen in NAPA or Dunkin Donuts, and they don't listen to Fox News. But they do buy Volvo's and shop at Whole Foods.
- And this is just the tip of the iceberg!

Your marketing team should be able to identify and understand your primary clusters - which ones to reach first, what to say, where and when to say it, how to price it, and where to offer it.

If there any common themes, here they are:

European styling is understood, appreciated and commands a premium. USA consumers respond to products which have "I want it" appeal in much the same way as non-Americans.

But they do expect the product to perform – a beautifully conceived product which falls short on practical delivery is likely to be returned, or quickly attract negative feedback.

US consumers expect to be able to return purchases which disappoint and are more demanding, for example, than their polite British cousins!

USA consumers like to be told directly that the product is for them, and what it does. That way…..they know!

Humor can certainly help, but the practical product offering must ultimately be right. A European audience will think *“Entertain me with a clever pitch, and I’ll take the time to listen to you”.* In the USA, the consumer contract is *“Give me the story, keep it quick and simple, then get out of my face”.* This exaggerates, but makes the point!

DO: Ensure that your marketing team makes a real effort to identify your target consumer, and gives you consumer feedback before, during and after launch.

DON’T: Rely on great styling or sophisticated branding to overcome poor performance.

CHANNELS

Don’t be seduced by Wal-Mart:

Channel strategy is key. When you’ve identified your target clusters, it’s easy to understand which channels will reach them best.

But…..different channels have very different buying patterns, margin expectations, buying lead times and many channels don’t easily co-exist – you will be faced with decisions about which fork in the road to take. If you start with specialty channels then jump to mass, you will lose your specialty channels – and that might be where your product really belongs.

It’s crucial to set your initial pricing so you don’t cut yourself off from other channels that might require larger margins when you are ready to grow.

Recent case history: A Chinese supplier of an innovative electronic toy was recently tempted to accept an attractive opening order from an online customer, who then marked the item up by 20%, setting a retail price of $5. This closed off uptake by all other channels for months until pricing could be built back up to $15, a level at which it was perfectly viable – a year wasted!

Understand your basic channel choices…….

- Online stores: Can get product listed quickly, work on 25-40% margin, are item buyers (do not require a full “line”), and in most cases are linked with print catalogs if the item sells well online. Beware of online stores who quote a large per page fee – while they can move volumes, their unspoken business model is to generate ad revenue, at your expense.
- Catalogs: Often a good place to start with a new product, they typically work on 55% or more margin, and sometimes expect a fee to cover page costs, which can be negotiated depending on their eagerness to list the item. Catalogs can write copy ranging from the inspired to the turgid - ask to proof the copy before publication wherever possible. You know the soul of your product (or should).
- Specialty stores: These include main street stores handling gifts, stationery sporting goods, toys, clothing, bicycles, eco-stuff, personal gear etc, etc. Margin expectations are generally around 50% or more, and they can be reached through trade shows, distributors, or directly. Beware of extending terms – have them put their early orders on a credit card. And allow space for rep commissions as high as 20%.
- Mass merchants, big box, consumer electronic discounters, department stores ……there are many routes to take when you are ready to expand your reach.

Make sure your take-to-market team knows their way around all relevant channels. Let the needs of the product determine the channel strategy, not the needs of your local partner. And remember – just as everyone in Saudi Arabia is on first name terms with the royal family, so everyone in USA can get you into Wal-Mart!

So start with low risk channels, and move forward into larger channels ***slower than your learning curve, but faster than your competition*****.**

Think before appointing a distributor:

Don’t use distribution if you are uncertain about your product’s sell-through performance, or have questions about quality or reliability, or if you don’t have the ability to reach the consumer directly to pull sales through.

It’s your job to make sure the product works and to manage the pipeline. It’s a very expensive and risky way of reaching your market if you are not assured of a steady one-way flow of product right through to the consumer.

And it’s not always easy to sever bad distribution relationships – remember, they have your product, and they have your money.

Recent case history: A British supplier with a beautifully branded and presented range of portable power devices decided to appoint a major distributor that to reach multiple small retail channels. The product simply did not belong in those channels, and was never supported by local PR or advertising. Sell through was poor, and price discounting broke out as dealers offloaded inventory. The distributor didn’t care. The line survived – just – but rebuilding viable pricing took 18 months.

Getting through to the buyer:

Buyers are paid salaries to buy. They get rewarded for products that sell and penalized for those that don't, so there is a tension between wanting to talk to you (*"Maybe its a winning product!"*), and wanting to avoid you (*"Now I have to do some work"*).

There's no substitute for knowing a buyer personally, and having a trusted relationship. But if you are bringing a new product to market, the chances are you will be unknown. So be persistent but polite, and use all methods to reach them: calling, faxing, sampling and emailing – then doing it again.

For major accounts, use reps that are known and respected by the account, and that visit them regularly.

DO: Have a channel strategy. Know who you wish to approach, and why. Build on success, channel by channel.

DON'T: Be tempted to accept large orders before you understand your consumer, and have tested sell-through.

GETTING NOTICED

Branding:

Well named, well designed and well packaged products cut through all the clutter fastest and inspire not only the consumer, but the entire distribution chain.

Do as much as you can afford to rise above the masses here. A tired looking brand at a trade show dilutes your trade show effectiveness faster than an all-nighter at the hotel bar.

Trade Shows:

So you have a booth in the Republic of Izzistan Country Pavilion along with all your compatriots………..mmmm……..so is Izzistan your brand for heaven's sake??

Unless you are an OEM supplier and think you don't need any brand identity, and unless the Republic is paying 100% of your costs, get out of there!!

Other bad behavior: booth attendants that don't speak any English or are sleeping in the booth. Yes, it was a long flight and a great party at this end….but we see it every time.

Publicity:

There is nothing stronger than a 3rd party endorsement.

If you are launching a new product, then there's a 100% likelihood that there is some news somewhere - and that's what the media are paid to cover. So if you've got a story that connects with people, or can make a little wine out of water, then you have an opportunity to get heard.

You don't need professional help from a big agency with a big budget, but you do need someone with some marketing savvy, capacity for original thought, who knows how to get media attention, and who will give this real time and attention.

DO: Give time to distancing yourself from your competition, and defining what is better and more relevant about your product.

DON'T: Ignore the potential of giving your product a story that sets it apart.

PRICING

Protecting pricing:

A product's price is the best measure of its value….so protect it!! Many, many good products have been quickly killed by losing control of pricing.

It's easier to bring a price down than putting it up. Do your research online and be realistic, but err on the side of being too high. If it sells well don't change it, but if price is the obstacle, then you can come down. You can test price sensitivity through limited term promotional offers.

Some tips:

- Don't sell more than an account can be reasonably sure of moving in a 1 to 3 month period. It's tempting, but dangerous. I've done it, I know.
- Know the account's margin expectations. Don't allow too much space for them to discount. It's OK to ask a buyer what margin is needed to make a product viable, and make up your own mind if the answer has been honest and helpful!
- Stay close to sell-through. Give yourself the option of taking back slow selling merchandise if you choose to do so, rather than allowing discounting.
- You are unlikely to have much clout as a new product supplier. You can't enforce MAPS programs. But you can make an MSRP clear, and you can call up an account and ask them to respect your MSRP. If it makes sense, they generally will….they want to maximize their margin as well, and see you stay in business.

DO: Keep track of the price levels your customers are retailing your product, and how this compares with your competition.

DON'T: Lose control of your product's value – its price!

THINK GLOBALLY, ACT LOCALLY

Get yourself an employee, partner, agent, friend, rep or distributor, who will offer a local presence, so you position you as a supplier committed to the USA market.

If the product is worth it, it will benefit hugely from:

- Focus on your business opportunity
- Sales and technical inquiries answered in a USA time zone
- Knowledge of the retail landscape
- Ability to fulfill small orders quickly
- A USA web site
- Feedback from the market

ABOUT THE AUTHOR

Vaughan Wiles is the Founder and President of Mango International, a specialist market-entry consultancy based in Warwick, New York. Vaughan has planned and executed the successful introduction of many new products in the USA market, often for overseas suppliers with no prior USA experience.

Mango seeks to secure the viability of a launch with a sustainable revenue stream, the right mix of marketing skills and, for ideas destined for significant growth, to assist in raising investment capital.