Hit-or-miss strategies may be the reason why products flop

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My co-author Manoj Thomas (Johnson School of Management, Cornell University) and I were inspired to write *Why People (Don't) Buy: The GO and STOP Signals* because of the hit-or-miss patterns of consumer-insight interventions that companies (as well as public policy entities) have been generating. This blog post, the first in a series of three, describes a number of recent examples of hits and misses.

Improving in-store experience

Hit. In the first decade of this century, Ron Johnson, a Harvard MBA, built a formidable reputation as a brilliant retail executive. His laser-sharp focus on improving the in-store customer experience yielded rich dividends at Target. It transformed Target from just-another-discount-store to a unique store brand that sells chic yet affordable products. Target became *Targé*. Not just at Target, the same focus on customer experience during Johnson's tenure at Apple made Apple Stores, including the Genius Bar, a runaway success and one of the most profitable retail outlets in the country. A similar focus helped him improve patient experiences and outcomes at a Stanford University hospital.

TARGET

Miss. Inexplicably, however, during Johnson's tenure at JC Penney, the same strategy led to a 25 per cent drop in sales and over $500 million in losses in a single year and culminated in Johnson's being fired in a little over fourteen months.

Launching a new pack

Hit. When Nabisco executives introduced the new “100-calorie pack” format for their cookies in 2004, it was an unqualified success and competitors rushed to copy this packaging innovation. The end result was a boom for snack-food brands. Sales of 100-calorie cookie packs reached the $200 million-a-year mark by 2007, even though they often charged a 250 per cent price premium over regular packs.

Miss. However, in 2007, at the height of this 100-calorie frenzy, Ocean Spray introduced a 100-calorie pack for their “Craisins” snack and it was such a failure that the company ultimately withdrew it from the market.

Bottom-of-pyramid strategies

Hit. Tata, a large multi-industry Indian conglomerate with worldwide operations, harnessed its excellent in-house engineering skills in order to reduce costs and introduce many successful innovations for bottom-of-pyramid (BOP) consumers. These innovations ranged from bringing low cost electricity and steel to the BOP customer to providing low-cost, yet highly effective, water purifiers (e.g., the “Swach” brand) and fortified energy drinks (e.g., the “Activate” and “Gluco Plus” brands). Lowering the price for the bottom-of-pyramid consumer led to many successes for Tata and bettered the lives of many impoverished individuals.

Miss. Yet, this single-minded focus on reducing the price for low-income consumers proved to be an unequivocal failure when it came to the Tata Nano car, which, at a sticker price of $2000, was heralded by the international press as the “world’s cheapest car” solution. Before Tata Nano, the Indian bottom-of-pyramid consumer was stuck between the Scylla, with unsafe, weather-susceptible two-wheeler driving conditions, and the Charybdis, with its unaffordable, $4000-plus price tag. Tata Nano, targeted at this customer, was expected to storm the Indian market and sell hundreds of thousands of units. To put this failure in perspective, consider that a paltry 509 Nanos sold in November 2010 (3 years after its launch), at a time when automobile sales in India had reached more than 200,000 units per month.

This hit-or-miss pattern is not restricted to consumer markets; it is equally widespread in the public policy domain. There are several examples of policy interventions leading to spectacular success in one domain, but resulting in colossal failures in others.

Convenience-enhancing technologies

Hit. Making it easy for consumers to order products and services from the convenience and comfort of their homes has increased consumer participation in the marketplace and led to the success of several online giants like Amazon, eBay and Fresh Direct, to name a few.

Miss. Allowing people to cast their votes in a secure manner from the convenience of their homes completely backfired for the Swiss. Ironically, the presence of home-based (i.e., postal or online) voting significantly reduced voter turnout in Swiss cantonal elections from 1971 to 1999.

Monetary incentives

Hit. Governments have always used monetary carrots to encourage socially desirable behaviours. Providing monetary incentives has allowed governments all over the world to successfully encourage their citizens to buy hybrid cars, recycle plastic bottles, and build energy-efficient homes, to name a few.

Miss. Monetary incentives, however, not only failed to spur blood donations, they, in fact, decreased blood donations in 2007 at the Regional Blood Center, Sahlgrenska University Hospital in Gothenburg, Sweden.

Monetary fines

Hit. In a similar vein, governments all over the world have successfully used monetary fines to curb socially undesirable behaviours like late payment of taxes, littering, and smoking in public spaces, to name a few.

Miss. Monetary fines, however, backfired when in an instance documented in Israel, charging parents a monetary fine for picking up their kids late from daycare actually increased late pickups.

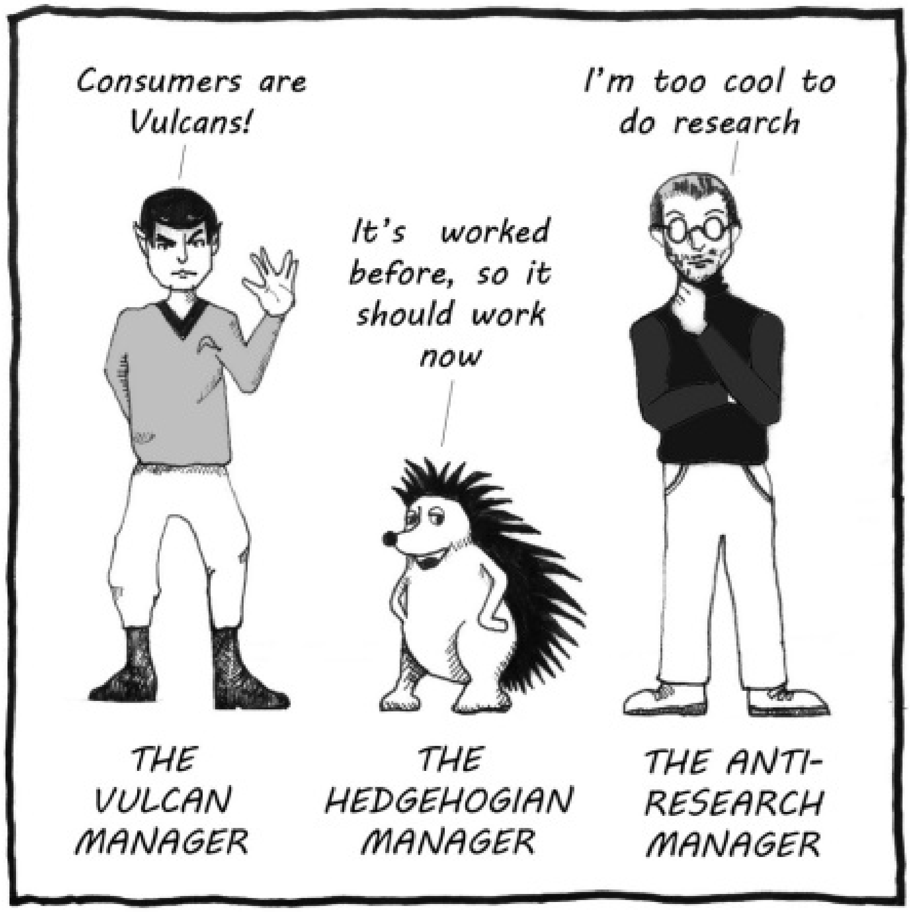
The business and public policy landscape is littered with examples of such hit-or-miss patterns, many of which we document in this book. We were inspired by and wanted to make sense of these patterns. More specifically, we wanted to answer two very simple but critical questions:

1. Why do these hit-or-miss patterns occur, that is, what kind of decision-making errors were managers and policy makers committing? and
2. Is there an alternative model of thinking about consumer insights and public policy interventions that would allow managers and policy makers to avoid making such errors?

We are excited to share with you what we found. However, both of us know better than to test the blog length-patience of our readers! So we will save the details and answers to these two questions for our next blog post.

In the meantime—as a brief preview—the answer to both questions lies in what we refer to as the GO & STOP signals framework. It is the chief protagonist of our book. Through many case studies, we illustrate that understanding this framework is useful in explaining paradoxical consumer behaviour, why smart managers and policy makers make strategic mistakes, and how to avoid such mistakes. We hope that learning about this will change the way you think about consumer insights and public policy interventions. It certainly helped us make sense of these bewildering hit-or-miss patterns.

Figure 1. In the next blog post we will talk about the GO & STOP Signal Framework and Vulcans, Hedgehogs, and the like…hope you can join us!



Amitav Chakravarti explains the "GO and STOP" concept:

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Notes:

- *This post is based on the author's book Why People (Don't) Buy: The GO and STOP Signals, co-authored with Manoj Thomas. Palgrave MacMillan, 2015.*
- *The post gives the views of its author, not the position of LSE Business Review or the London School of Economics.*
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Amitav Chakravarti is Professor of Marketing at LSE's Department of Management. He was previously an Associate Professor at the Stern School of Business, New York University. He has also served on the faculties of MIT Sloan School of Management, Johnson School of Management, Cornell University, and University of California, Riverside. Prior to his PhD he worked with IMRB (Indian Market Research Bureau) in India. His research has been published in leading journals. He was awarded the inaugural Google-WPP Marketing Research Award, the Marketing Science Institute (MSI) Young Scholar Award (awarded by MSI to faculty members who are "likely leaders of the next generation of marketing academics"), and the ART (Advanced Research Techniques) Forum Best Paper Award.