

## INFORMATIONAL FOUNDATIONS FOR MARKETING DECISIONS IN THE PROCESS OF PRODUCT COMMERCIALIZATION

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### Introduction

The process of product commercialization in the contemporary economy is usually associated with introducing innovations to the market and securing growth of sales of the new product, however, on the market this is usually a strategic view of the innovation's position in the portfolio of products and taking advantage of its current and future potential for satisfying the needs and expectations of consumers on a competitive market, taking into consideration its character, external conditions and internal conditions of introduction, the choice of flexible market solutions and constant development of the innovation. In practice this imposes on companies, also on research and development units, duties associated with searching for information concerning new ways of obtaining resources, new valuable technologies, defining new consumer values, creating new areas of interest (marketing of value), using communication instruments and diverse forms of sales. This requires collective, integrated and systemic approach; its purpose will be to build a market process encompassing all the above-mentioned elements and providing the defined economic benefits. Its final effect will be the preparation of a business model as a market solution taking into consideration all issues associated with product management and the whole portfolio. The starting point is working out an approach to the development of a new product (table 1). In the literature on the subject, which presents the process of development of product innovations, commercialization is not always mentioned as a stage of the process. Usually elements of actions taken in the process of innovation development, which can be regarded as components of the process, are characterised in detail. However, often commercialization is highlighted as a stage directly preceding the introduction to the market, it is often called the „gamma phase”<sup>1</sup>. Moreover, many entities, especially big international concerns build own, tested procedures (models) of development of product innovations, which take into consideration the perspective of internal processes, financial capacity, characteristics and potential of target markets and their segments, the structure of product portfolio and the organization and market competences determining implementation. This leads to adjusting the model to the conditions prevailing in the environment and the characteristics of current and potential stakeholders, and the approach is called the creation of environment models or branch models of innovation development. It guarantees fast deve-

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<sup>1</sup> D. Rafinejad, *Innovation, Product Development and Commercialization*, J. Ross Publishing 2007, p. 165 – 185.

development and adapting new product to the expectations of the market, which is a recommended strategy in the creation of competitive advantage allowing achievement of long-term success on the market. It is thought that a rapid process of commercialization of product innovation guarantees maintaining growth, reducing market risk, boosting the value and competitiveness of a company.

**Table 1. Various approaches to the development of a new product**

The process of development of a new product				
Booz, Allen , Hamilton (1982)	C.M. Crawford (1994)	R.G. Cooper, E.J. Kleinschmidt (2000)	M. Earle, R. Earle, A. Anderson (2001)	G.W. Fuller (2005)
1.Strategy of a new product	1.Strategic planning of a product	1.Sorting through ideas	1.Product strategy	1. Assessment of market needs
2. Generating ideas	2.Generating concepts	2.Preliminary technical and market assessment	2.Designing product and preparing the process	2.Generating ideas
3.Sorting through ideas	3.Technical assessments of concepts	3. Detailed market assessment	3.Product commercialization	3. Sorting through ideas
4.Developing concepts and testing	4. Technical development of a product	4. Economic and financial analysis	4.Launching production and assessment	4.Product development
5.Business analysis	5. Assessment of the market	5. Product development (prototypes)		5. Preliminary production
6. Product development and testing	6.Product commercialization	6. Product testing (alpha, beta)		6. Consumer testing
7. Marketing testing		7. Market testing		7. Market testing and assessment
8. Commercialization/Introduction		8. Preparation of production and final business-plan		
		9. Production		
		10. Marketing plan		

*Source: Drawn on the basis of chosen literature on the subject.*

Analysing commercialization as a leading element of the process of development of a product it could be said that also in this case the lack of universal specifications of actions constituting the process, it is particularly apparent in case of new technologies and implementation of results of scientific research<sup>2,3</sup>. In management the basic problem of implementation boils down to identifying the importance and the role of market variables in implemented innovative processes and the mutual relations and coordination<sup>4</sup>.

In case of commercialization of product innovations the process involves, in the expanded model, the following elements:

- decision on introduction to the product portfolio or submitting market offer taking into consideration legal, technological environmental certifications, labelling and packaging, summed up with

2 V. K. Jolly, *Commercializing New Technologies. Getting from Mind to Market*, Harvard Business School Press, Boston 1997.

3 Przewodnik. *Komercjalizacja B+R dla praktyków*, Ministerstwo Nauki i Szkolnictwa Wyższego, Warszawa 2010.

4 R. S. Kaplan, D. P. Norton, *Mapy strategii w biznesie. Jak przełożyć wartości na mierzalne wyniki*, GWP, Gdańsk 2010, p. 161-189.

- a diligently prepared business plan;
- testing the market treated as a verification of the planned product strategy (can be marketing strategy);
- assessment of testing and forecasting sales in particular stages of life cycle;
- strategy of launching a product aimed at competitiveness of organizational, technological and distributional solutions;
- marketing plan containing detailed specifications of operational results taking into consideration the strategy of introduction to the market.

The implementation of the process of commercialization understood this way, in particular the delineated range of actions, their development and the achieved effects depend on a diversified group of factors like: marketing potential of a company, planning and financial analysis of a venture, flexible production and distribution management, cooperation of the team implementing product innovation. The most important tasks and expectations in the process of commercialization are targeted at marketing as a function which focuses on defining and implementing market policy of a company and reaction to signals coming from the market. In particular, it involves the adjustment of the introduced product to the needs and expectations of clients (carrying out a particular task or helping the client do it) and 'documenting' its competitiveness, the choice of segments and techniques of positioning, setting the appropriate price level, the choice of tools and communication channels, assessment and choice of distribution channels, as well as flexible and interactive process of marketing planning<sup>5</sup>. All of these areas of activity generate highly developed information needs focusing mainly on macro and micro trends in the economy, market participants and their mutual relations, as well as marketing instruments appropriate for time, location and the position of a business entity<sup>6</sup>.

It is hard to present in a single article all cross-sections of information needs, which are important in case of such a complex process as commercialization; thus, we will focus on just the most essential factors determining the success of commercialization. When we look at the list of reasons for failure of new products on the market taken from literature on the subject, we can see that generally among the most basic reasons there are:

- wrong assessment of the market potential,
- wrong „identification” of needs and inappropriate segmentation of clients and its consequences,
- „doubtful” competitiveness of the offer presented to the market participants,
- inappropriate strategies of distribution and communication and the level of costs of implementation,
- the process of commercialization is too long
- inappropriate moment for launching.

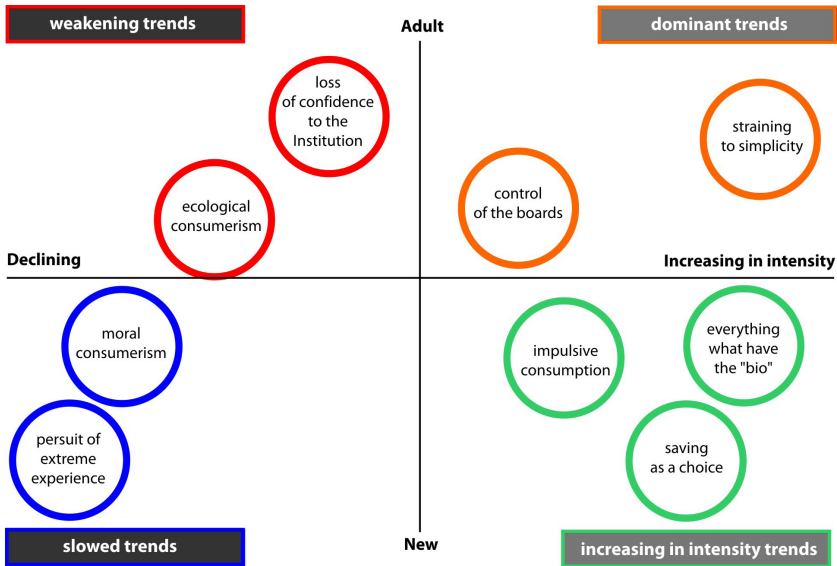
The above-mentioned list of reasons also provides important guidelines for defining the subject range and cross-sections of information needs necessary in the process of product commercialization. A starting

5 C. M. Christensen, M. F. Raynor, *Innowacje. Napęd wzrostu*, Studio EMKA, Warszawa 2008.

6 B. Sojkin, *Informacyjne podstawy decyzji marketingowych*, PWE, Warszawa 2009, p. 37-64.

point for commercialization of any product is very precise definition and, quantitative description' of the market and its potential in association with an analysis of market trends and their trajectories with the trends in consumer behaviour (Picture 1 and Table 2).

Picture 1. Market trends and their trajectories



Source: [P.Flatters, M.Willmott, 2010].

This is a good way to build a collection of preliminary criteria, which the „innovative idea“ should meet and which are subject to the choice of solution and which move a product closer to the stage of commercialization. It could be concluded that the gathered information provides border conditions for the success of a product and enables making financial forecasts. At the same time in case of a shortage of data or insufficient timeliness, appropriateness and credibility, there is a threat that the defined image of the market and its cross-sections (volume, absorptivity, selectivity, purchasing power indices, market share, quality of market share, strategic groups) may be inaccurate. The defined scopes of information undoubtedly provide important support for preparations for commercialization. However, they don't have a single, universal character, scope and form. For every innovation it is necessary to define specific dimensions and cross-sections of information resources. In the process it is necessary to take into consideration the strategic prospects for a product and the market portfolio of a particular business entity.

The second information resource which is tightly associated with data precisely characterizing the market, is a broad and wide-ranging database about the client, which is a basic condition above all for, identifying and understanding' the needs and segmentation of buyers together with the sub-

sequent effects for the commercialized product<sup>7</sup>. In marketing practice this boils down to the possibility to properly launch the implementation of a marketing technique called S-T-P (segmentation – targeting – positioning), the foundation of which is carrying out the segmentation of market participants leading to identifying comparably uniform groups of participants meeting the adopted criteria.

**Table 2. Trends in consumer behaviour**

The sphere of macro environment	Consumer trends
Demographic sphere	<ul style="list-style-type: none"> <li>• growing number of one- and two-person households</li> <li>• society getting older</li> <li>• the number of new marriages dropping</li> <li>• getting married later in life</li> <li>• migration to the suburbs</li> <li>• growing professional activity of women</li> <li>• growing significance of the segment of senior consumers</li> </ul>
Socio-cultural sphere	<ul style="list-style-type: none"> <li>• fashion for a new quality of life</li> <li>• growing importance of family values</li> <li>• increased pace of diffusion of Western lifestyle</li> <li>• education and activities of consumer movements</li> <li>• growing need to stand out in the society</li> <li>• growing needs for emotional escape from reality</li> <li>• pressure on "getting younger" and "getting fit"</li> <li>• care for health</li> <li>• fast pace of life</li> <li>• running households as partners</li> <li>• systematic reduction of differences between the city and the countryside</li> <li>• post-modern consumption expressed in „mass customisation”</li> <li>• "consumers" ethnocentrism</li> <li>• "socially responsible" consumption</li> <li>• activity of "seniors"</li> </ul>

*Source: Prepared on the basis of A. Korzeniowski, M. Ankiel-Homa, N. Czaja-Jagielska, 2011, 27.*

An issue crucial for the success of commercialization is the choice of criteria of categorization of market participants adequate to the defined conditions for using a product. These conditions should comply with functional, emotional and social aspects of expectations of clients with regard to the commercialized product. Adjusting criteria is a basis for defining the typology of clients, identifying segments and their hierarchy; as a consequence the choice of target markets (segments)<sup>8</sup>. The practice of segmentation boils down to getting an answer to questions allowing better adjustment of physical, functional and structural characteristics of a product to individual values formulated by the client with regard to the innovation. Along with choice of target segments, the procedure of segmentation constitutes a basis for the imple-

<sup>7</sup> M. McDonald, I. Dunbar, *Segmentacja rynku. Przebieg procesu i wykorzystanie wyników*, Oficyna Wydawnicza, Kraków 2003, p. 55-255.

<sup>8</sup> A. Kusińska, *Segmentacja rynku i typologia konsumentów*, IBRKiK, Warszawa 2009, p. 63-213.

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mentation of positioning of a product (company, brand), which independent of the approach involves presenting distinguishing values, we can offer to the client, in the marketing message. The presentation is supposed to leave a „permanent mark” in the client’s mind. However, in the process of positioning we need to remember to analyze competition on the whole market or segment in the possibly broadest spectrum. We need to focus not just on direct competition, but also substitutional or potential competition. The analysis of competition in this case is focused on searching for indicators of market position of a market product category (often they are called key success factors) and identification of elements potentially generating added value of the future innovation. Such an approach makes it possible to find basis points of „reference” to the market, which have been determined as a result of competition and highlighting of market parity of a product (common points) and distinguishing points<sup>9</sup>. Points of parity are characteristics of a product associated with a particular product category, which has the ability to satisfy certain needs on the universal level. This in turn determines which group a given product belongs to. Distinguishing points are elements among physical, functional and structural characteristics of innovations, which on the one hand will constitute the basis for the marketing message and contain a unique offer for the client and which is supposed to guarantee competitive advantage; on the other hand they constitute a new experience for the client<sup>10</sup>. They constitute an important aspect of market message which is supposed to leave a ‚mark’ of the product in the client’s consciousness, arouse his interest and as a result make him buy the product<sup>11</sup>. However, it is necessary to remember that these points as ‚arguments’ of positioning determining the scopes of informing market participants about the values delivered by the innovation are in fact a derivative of many pieces of information from databases built on the basis of product research on the market. It is advisable to use various works focusing on the analysis of the process of satisfying the needs and expectations of clients based on analytical techniques such as the Kano method, QFD, conjoint analysis, leading users, matrix of value of products for market stakeholders, moreover, conducting current assessments of the market position of products on the basis of maps of perception, bingo chart or spiderweb<sup>12</sup>. Taking advantage of the information resources reflecting our earlier experiences from the conducted current market analyses will allow us to reduce or limit the ‚questionability’ of competitiveness of the offer presented to the market participants. Above all it will allow us to prepare marketing test of the market and sales forecasts. The choice of technique, the scope of the tested equipment of the product and marketing instruments,

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9 K. L. Keller, *Strategiczne zarządzanie marką. Kapitał marki – budowanie, mierzenie i zarządzanie*, Oficyna Wolters Kluwer, Warszawa 2011, p. 113-147.

10 B. Sojkin, M. Małecka, T. Olejniczak, M. Bakalarska, *Konsument wobec innowacji na rynku żywności*, Wydawnictwo Uniwersytetu Ekonomicznego w Poznaniu, Poznań 2009.

11 *Five stages of the psychological process encompassing all potential clients and their path - from learning about a new product to becoming a loyal client or rejecting it: (1) awareness of the existence of a product, lack of sufficient information about the product, (2) interest, striving to get more information; (3) assessment, that is, considering whether a product meets expectations; (4) attempt involving first purchase aimed at identifying its value or usefulness; (5) acceptance/rejection: decision to accept or search for something else. In other words this is the transition of a client from recognition (awareness and knowledge) through emotions (tastes and preferences) and to the final decision to make purchase or not.*

12 D. Rafinejad, *Innovation, Product Development...*, op. cit., p. 165 – 185.

criteria for assessment of results as well as the time of testing depend on many factors such as<sup>13,14</sup>:

- kind of innovation (complementing the existing product line, modification of an existing product, new product in the portfolio, new product on the scale of the market),
- knowledge and experience of the entity introducing the innovation,
- competitive position and strategy of company development (leader, challenger, imitator, looking for a niche),
- specificity of the process of sale of innovation (channels, form and seasonability),
- financial capacity and human resources,
- the coverage of a company (local, regional, national, international).

An important issue in commercialization is the problem of the possibility of using the results of marketing tests. Testing is carried out in order to obtain the final assessment of market innovation in the scope of its usefulness and the assessment of the level of acceptance by the market and identifying marketing tools necessary for implementation. Thus it constitutes a basic source of data needed in the strategy of introducing innovations to the market. The results of testing play a very important role in the determination of further actions, but they cannot be a sole source of information determining the composition and tools of the prepared strategy. Additionally, it is necessary to take into consideration our experiences, results of observation of the competitors' actions, knowledge and competence of marketing managers of a company, which should generate „milestones” in our strategy, turned into particular actions on the market.

An element closing the process of commercialization and at the same time starting the stage of introduction is a marketing plan as a reflection of operational programs of market activities (mainly marketing activities) resulting from the prepared strategy of launching a product on the market. Marketing plan is usually associated with the general marketing strategy of a company, however, in case of innovations it is necessary to prepare a separate plan for the new product, associated closely with the financial elements of the venture. Building the plan requires having very well-developed information resources, mainly information concerning the opportunities of using marketing instruments<sup>15</sup>. It is a typically operational document, which clearly defines the role, significance and scope of using marketing instruments in course of implementation and the technique of carrying out tasks. Moreover, in a well-organized and coordinated way it combines strategic decisions with regard to the choice of the market area for the innovation and its further development, the dimensions of competing, relations with market partners and set operational actions and their constant verification. An issue which is crucial for the plan is the choice and procedure of implementation of instrumental programs (market goals) and their associations with the implementation of other functional strategies. Marketing plan is supposed to combine all instruments of marketing policy in one synchronised plan of action, which is integrated with the marketing and development strategy of a company. Moreover, it defines who, when and where

13 D. Dąbrowski, *Informacje rynkowe w rozwoju nowych produktów*, Politechnika Gdańska, Gdańsk 2009, p. 202.

14 B. Sojkin, *Zarządzanie produktem*, PWE, Warszawa 2003, p. 298-324.

15 D. Dąbrowski, *Informacje rynkowe...*, op. cit., p. 202.

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will be carrying out its goals and defines a detailed schedule of the course of launching a product on the market as well as the schedule for control and verification of the product.

It is worth remembering here that one of the key issues in the process of commercialization of innovation is the assessment of the impact of innovation on the current portfolio of products and in particular the risk of cannibalism within the portfolio.

An important element of commercialization, which in reality determines all of the above-mentioned tasks are financial capacities, which guarantee carrying out tasks delineated in the adopted strategy of introducing a new product to the market. This is especially important in case the entity introducing an innovation faces the need to start an investment. In this context it is necessary to define the expected level of revenues, because the producer has to have adequate funds to bear the necessary costs of purchasing machines, equipment, production lines, technologies of resource generation, securing adequate level of stockpiles, which guarantee continuity of production and provide clients with access to the innovation (distribution channels). For a company it is important to have a verified revenue forecast, mainly as a result of the adopted marketing strategy.

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