## Case study

# Selection as a new product development process: the case of Vertical Branding, Inc.

*Dennis Pitta*
University of Baltimore, Baltimore, Maryland, USA

**Abstract**
**Purpose** – The purpose of the paper is to describe a practice that has implications for increasing product innovation in a variety of industries
**Design/methodology/approach** – The case describes an aspect of the new product development process that has particular application to a specific successful company. Unlike most marketing organizations, the company, Vertical Branding, Inc. (VBI), concentrates more on selecting new product concepts than developing them.
**Findings** – The case provides information and a solid action approach to increasing company profitability by strengthening a firm's new product innovation. The paper finds that the subject company capitalized on a supply of products and product concepts generated externally. Its major challenge was to select only those concepts that promised the highest probability of success. By using robust analytics and knowing the identity, location and preferences of its target audience, VBI is able to select the best match between its market segment and products.
**Research limitations/implications** – As in all case studies, the specific conditions found in one organization may not be found more generally in others. Readers are cautioned that the conclusions drawn in the case may have limited applicability.
**Practical implications** – The case depicts a professional implementation of the product selection stage of the new product development process. Existing literature does not emphasize the value in selecting from a set of externally generated product concepts. Instead when the existing literature focuses on selection, the emphasis is on internally generated ideas. VBI's use of external concepts multiplies the effect of its new product development efforts. Other organizations may find the techniques of value in their own activities.
**Originality/value** – The case is a unique implementation of a new product generation and screening that has a comprehensive foundation. It offers lessons that may be applied to other companies faced with similarly competitive, consumer environments.

**Keywords** Product development, Innovation, Brands, Case studies, United States of America

**Paper type** Case study

When textbooks cover the new product development process, authors usually cover each stage and convey the idea that companies work stage by stage from beginning to end. That view may be understandable since it is the professor's job to cover all of the material. In the academic literature the objective is a bit more focused. Much of the literature dealing with the new product development process concentrates on some but not all stages of the process. For example, numerous studies have dealt with the concept generation stage and how companies can open the creative gates to construct the maximum number of concepts. The objective is not to lose anything early. Thus alternatively wild and outlandish as well as focused and innovative ideas are welcome. Other articles deal with development or commercialization. Very few deal with the practical realities of product selection. In the familiar new product development process, product selection involves both concept screening and economic analysis. Selection is critical for success and customer satisfaction (see Figure 1).

Most marketing organizations face one or two different product selection situations depending on the sources of their product concepts. In one case, they may undertake the design of new products from product concept to commercialization. In another they may be stuck with what the company gives them. The nature and scope of each new product development (NPD) task is vastly different. When companies develop new product concepts with specific market segments in mind the chance of product failure declines. In addition, when the NPD process starts early, lackluster product ideas can be weeded out before costly development starts. This might be termed the "proper" way to undertake NPD. Moreover, designing a product customized for the target consumer is at the heart of the marketing concept.

In contrast, developing existing products poses a number of different challenges. Those challenges may or may not be insurmountable. If the brands result from mergers or acquisitions or runaway internal exuberance, they may not

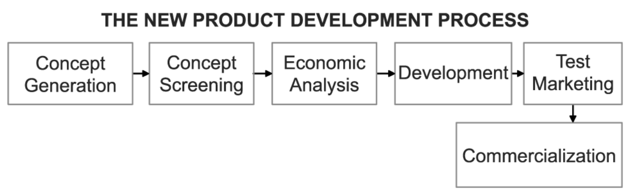
The current issue and full text archive of this journal is available at
**www.emeraldinsight.com/1061-0421.htm**

Journal of Product & Brand Management
16/6 (2007) 432–436
© Emerald Group Publishing Limited [ISSN 1061-0421]
[DOI 10.1108/10610420710823807]

Vertical Branding, Inc. is a real organization based in California, USA. The author is indebted to several company executives for insight into the company's operations.

Journal of Product & Brand Management
Volume 16 · Number 6 · 2007 · 432–436

**Figure 1** The traditional new product development process




have much potential for success. Miller Brewing faced that development challenge after it acquired the Meisterbrau Brewing Company and its brands. Among them was a brand called Lite Beer. It was one of the early light beers and was aimed at women who were in usage terms, light users. Despite the customization for women, the market was insufficiently large to support Lite Beer. The brand had disappointing sales and was one reason that Meisterbrau became a takeover target. After digesting its new property, Miller faced the challenge of trying to remarket a product targeted to an incorrect but clearly identified segment. Lite Beer had an existing brand name, a delicate, feminine label, as well as an existing formula, distribution and promotion that fit its female audience. Its advertising appeal was essentially, "Less calories to maintain your figure."

Most Americans know the result of Miller's remarketing. By retargeting the beer to the heavy user, changing the label to an ultra masculine block lettered Lite Beer, and using retired, burly athletes who bragged, "Less filling, tastes great," Miller hit its target audience perfectly. The remarketing of Lite Beer is a classic example of success; Miller brought it from failure to the number three brand in the country. Miller's success in development and promotion was remarkable and an example of brilliance born of necessity.

Organizations faced with the job of uncovering product benefits, linking them to target market preferences and making sure that competitive products do not already exist have a tough job. If they have no input into concept selection and have few concepts to evaluate the task can be impossible. However, when companies may choose among a sufficient number of existing external product concepts and evaluate their suitability for their core market segments, they have some powerful advantages.

## Product selection: concept screening and economic analysis

There are stories about the "not invented here syndrome." They usually apply to organizations suffering a measure of chauvinism that reject potentially lucrative ideas just because they originated elsewhere. The converse is that some marginal internally generated concepts are approved in large measure because they were produced by someone like the founder or an otherwise successful product developer. In principle, the more rigorous the evaluation process, the better the results. As a matter of fact, large numbers of concepts devoid of chauvinistic entanglements offer a freedom to select the best and only the best. The selection can be professional and clinical.

Of course, concept screening is not easy and poses its own challenges. NPD teams are very aware of the now classic statistical Type I and Type II errors. Type I errors involve screening out a good concept that would be profitable if marketed. Type I errors create opportunity costs. A Type II error is described as accepting a product that will fail and cost the company money. Both types of errors can cost money but the Type II error is the more harmful of the two. Bad products not only lead to losses, but also they can tarnish a company's image and poison future product development. Thus, effective concept selection is vital for success.

Figure 2 shows the relationship between concept generation and screening. The objectives change from accepting all ideas with no evaluation to a critical analysis to find the fittest ideas worthy of development. The hoped for result is a series of protocols that can codify a robust selection process, avoid errors, and offer repeatability and validity.

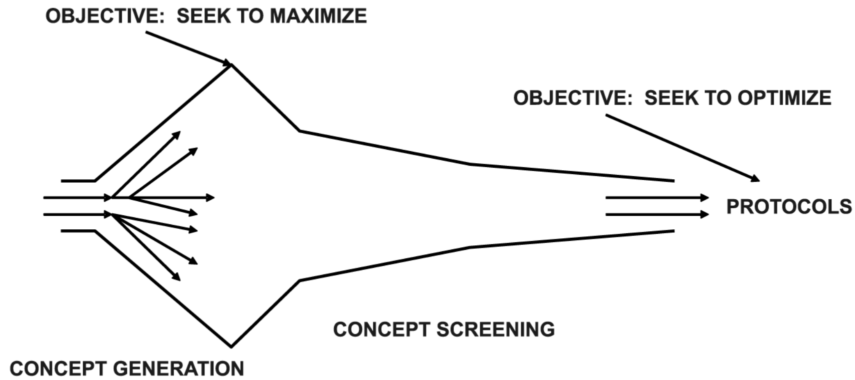
## Vertical Branding, Inc

Unlike some corporations that embark on institutional advertising campaigns, many companies prefer to stand in the background and put their products forward. When we first heard of Vertical Branding, Inc. (VBI), we already knew some of its products. The company advertises using effective infomercials starring the product demonstration star, Billy Mays. Mays promotes a variety of household and consumer products on television in direct response advertisements on behalf of several companies. Advertisements that feature him are usually placed on narrowcasted television channels. Companies that use Mays place their advertisements wisely and aim at narrow specific audiences. Most of his commercials feature spectacular demonstrations showing product benefits in eye-catching ways. For consumers accustomed to the familiar prime time home cleaning product commercials from Proctor & Gamble and Lever Brothers, Mays provides a distinctive, fast-paced, novel, and engaging departure. None of the following three brands is VBI's. However, his commercials for OxiClean® disinfectant, KaBoom® cleaner, and Orange Glo® floor cleaner are classics of structured demonstrations that show not one but multiple benefits as rapidly as viewers can absorb them. Mays seems to always add a free item or two to sweeten the deal. The combination of benefits, free inducements and Mays' style build a level of excitement that promotes response. One of his recent promotions features an absorbent synthetic chamois that absorbs water more effectively than other products. The product, called ZorbEEZ attracted our attention and turned out to be one of VBI's successful new introductions.

VBI is a marketing organization that selects product concepts from a variety of new product ideas and existing products. It describes itself as a consumer products, branding, marketing, and distribution company. The company uses an integrated and vertical marketing approach and utilizes a variety of media channels including television, online media and print advertising to drive direct-to-consumer sales as well as retail, catalog and international product distribution. VBI's focus is on finding outstanding and high quality products that meet a real need in the marketplace with emphasis on the beauty, personal care, and house-ware product categories. The focus is on value to the consumer. Company philosophy shows that providing high value to customers is the best way to earn repeat business. Notably, it also embraces the lifetime customer value model that became important in business thinking around the year 2000.

Journal of Product & Brand Management
Volume 16 · Number 6 · 2007 · 432–436

**Figure 2** Concept screening: the link before development




**Source:** Ulrich and Eppinger (1995)

Although the company has generated concepts for further refinement, its major operating mode is to find others' ideas that may be potentially valuable. Through a combination of search and unsolicited contacts, VBI considers approximately 100 new product ideas per month; 300 per quarter. The task is demanding. Quarterly, VBI culls the 300 to 100 that seem to fit their core market. It culls the remaining 100 to ten top candidates for further evaluation. The selection process must be robust in order to avoid costly mistakes. So, how does the company choose among promising concepts to select the few worthy of consideration? Nancy Duitch, the founder, CEO and director of VBI described the process as a combination of gut feeling and science. She has over 30 years of applicable retail and direct marketing experience that is invaluable in separating the good ideas from the great ones. Equally important, she has a proprietary evaluation and selection process that culls weak ideas leaving the strongest.

The analysis is based on VBI's philosophy succinctly summarized by Ms Duitch:

> Vertical Branding's philosophy is that marketing and sales lead the company but that analytics follow closely behind. Whereas other business models take the approach of ready, aim, fire – We know that without doing our analytical homework to project acquisition costs and conversion rates we will ultimately fail in achieving optimal profitability levels. It's this due diligence that has enabled us to have the success we've had in our product development and marketing.

This view differs from some direct response marketers' practices and demonstrates VBI's mature and measured approach to marketing.

## Selection foundations

The foundation of VBI's selection process is a detailed and unambiguous picture of their key target audience. Careful analysis of sales results shows that the prime customer is female, between 28 and 55 years old with a household income of $50-65,000. They cluster in several geographic areas like the states of Georgia, Texas and Florida, as well as more localized areas like Chicago, the New York City area, and suburban Los Angeles. There is also a cluster around Des Moines, Iowa and Minneapolis, Minnesota. The information is immensely helpful in knowing where to concentrate promotional dollars.

Academics will be gratified to learn that VBI practices what we preach. Our students hear the repeated refrain, "People buy benefits," and "A product is anything a customer thinks it is." Both focus beyond product features and advantages; they highlight product benefits. Beyond the demographic descriptive statistics, VBI has built a clear picture of its customers' preferences. In selecting concepts for further consideration, the prime question is, "Is this something our lady will buy?" As an example, VBI considered an outdoor device that kills mosquitoes. Immediately it became apparent that consumers in California, one of the key demographic concentrations, would have no need for the product. California's dry climate is unsuitable for mosquito reproduction, so mosquitoes are not a problem. Instead of dismissing the item out of hand, VBI's selection team calculated the size of the remaining market. The company uses a benchmark: 50-75 percent of its target demographic must want the product. That translates into 50 million US consumers whose preferences match the product benefits. In this case, the other geographic consumer concentrations contained sufficient numbers to warrant further consideration.

Another manifestation of intimate knowledge of the consumer is VBI's concern for the need to provide education on product use or benefits. Some breakthrough products that are extremely innovative may be outside of all consumers' experience. Others may have benefits that are not obvious to a target audience. One classic case was reported by an SC Johnson manager. The product in question, Pledge® furniture polish, was completely misunderstood by a research sample of young adult males. The example is from the 1980s and a bit dated. The subject sample came from traditional households in which young males did chores like taking out trash or mowing lawns, but not dusting. When SC Johnson considered marketing to the segment of young males, it did research that revealed a startling problem. While most of the subjects knew the brand name and were exposed to numerous television commercials demonstrating its use, many misunderstood how to use Pledge®. Focus groups were asked to dust some furniture and to use items placed on a counter. Some subjects grabbed some paper towels, used them to remove the dust, and then applied Pledge® as a polish. They reported that they did not really pay attention to the commercials since they did not "dust." That finding prompted a change in advertising to feature Pledge® – for dusting, polishing and renewing. In this example, the product was an instant success with its target audience, homemakers. The reason seems to have been high salience between product benefits and consumer wants. It took years to learn that other segments had problems understanding those benefits. To avoid this issue, VBI considers the need for education as one factor in its analytic protocol.

The company also has a unique challenge that others may not face. Companies that originate products usually protect them with patents, register trademarks, and seek to preserve their property rights. VBI's protocols involve verifying the legal status of promising concepts. The selection team investigates possible patent or trademark issues. When the company accepts an external product for promotion, it usually licenses the right to market it. That license is based on a legal search of ownership. Beyond the ownership question, other legal issues are critical in selection. For products regulated by government agencies like the Food and Drug Administration or the Federal Trade Commission, any government action or pending action is cause for reconsideration. Significant actions eliminate the product from further consideration.

## Is there a similar competing product?

Timely competitive research is a hallmark of successful companies. Larger corporations employ legal and marketing staffs to monitor competitive offerings worldwide. The process may provide new ideas but avoids the costly problem of duplicating an existing product. In the worst case, the new product may infringe a patent forcing the company to eliminate it. The result would be a loss of development costs that could be substantial. At the least, the new product would have to overcome the first mover advantage of the original. VBI learned this lesson the hard way. One promising product was a mop that worked very well, hit the key market well, was fun to use and had a clear USP. VBI invested $5,000 in CAD drawings in preparation for manufacture in China. After the investment a less expensive competitor came to light. VBI has since followed a philosophy of not investing money until a product concept goes through the selection process completely.

## Can the concept be promoted?

The company's product team is composed of seasoned marketing professionals including the founder and VP of Direct Marketing, who know that great benefits must be communicated well. Thus, if a product makes it past the legal status hurdle, it must be evaluated for its unique selling proposition. Without a strong USP, the product is eliminated. USP's can be supplied by vendors or uncovered by the company. VBI related an example of their high selling product ZorbEEZ. It is a microfiber synthetic chamois product that absorbs much more liquid than other alternatives. VBI's development team first encountered the product as a non-branded, non-woven piece of fabric with ill-defined product benefits. In fact, Billy Mays brought two samples of the item to VBI and requested that the company consider it for promotion. The product had sold well at fair markets and seemed to offer great promise for television promotion.

The team considered it and decided that the product had insufficient merit to add it to its product list. Shortly thereafter, QVC sold over 75,000 units within ten minutes. That empirical evidence prompted reconsideration. Despite proof that the product had sold, it lacked a brand name. After much consideration, the name ZorbEEZ emerged in time for shooting an infomercial. Typically, the Billy Mays infomercial demonstrates numerous product applications and benefits, quotes a price, adds free items to the deal, and in a grand finale, doubles the quantity at the same price. The offer becomes irresistible even to the stingy.

Promotion involves more than product benefits but those benefits are paramount. Males may find the next product example a bit foreign. VBI encountered an existing product sold in Australia under the name "Hot Legs." The brand name implies that it is a hot wax hair removal product. In fact it is a cool gel. Hot Legs conveyed several advantages to VBI. First, since it was already being sold in Australia, it had a brand name and established pricing. In addition some of its product benefits were already known and it fit the wants of the company's target audience well. Perhaps most important is that Nancy Duitch liked the brand name and recognized its power to attract. That opened the selection process and scrutiny of its benefits. They included the important fact that the product was not, in fact, hot. Thus it was more comfortable that other products. It also came in a plastic strip that was much more convenient to apply than a "glob of goop." That resulted in more even coverage. It contained a pine resin that pulled the hair from the follicle yielding a much smoother result. That series of benefits lead to an attractive advertising tag lines, "It's cool to look hot," and "Takes the ouch out of hair removal."

## Quantitative metrics

The selection process includes several items that serve to establish a product's success in the marketplace as well as to improve its financial performance. The exact protocols that VBI uses are proprietary. We can report general procedures that evaluate important influences on product success. One deals with products advertised on websites. Visitors can click on specific items for information or to order. One metric that can be collected from a website is the click conversion rate. The click conversion rate can be described as the number of times a visit results in a sale versus the number of visits to the product page. Higher numbers mean more revenue. This information is not available for brand new products but may be obtainable for existing products sold elsewhere. It provides a measure of product attractiveness.

Other factors to consider include marketing and sales test marketing results. It comes as no surprise that many companies use test marketing as the final test of their marketing plans. The process can refine product, price, promotion and distribution. Earlier testing through focus groups and consumer panels are also commonplace. Some companies, notably Fossil in its early days, have dispensed with consumer research. These organizations feel that they know the customer and consumer tastes well enough to provide what sells. VBI tests its products but not through a distinct consumer assessment process involving focus groups or consumer panels. Instead it tests its product concepts using direct marketing. Thus it repeats a daily field experiment with daily results to assess. The fresh empirical findings are invaluable for adjustment to increase sales and or revenue.

Journal of Product & Brand Management
Volume 16 · Number 6 · 2007 · 432–436

## Simultaneous branding and transactions

Branding is the familiar process of establishing a brand identity for a product or service. The identity may also involve creating a brand personality. For many companies this is the ultimate objective of advertising. The process costs money, usually it costs a lot of money. Companies have to wait until people purchase to get any return. For VBI branding is only one part of a single moment in time. VBI believes strongly in establishing a brand simultaneously with a transaction. It can be termed transactional branding. In transactional branding, sales drive brand awareness. Thus, brand awareness grows as units are sold. Thus their advertising stresses direct response. Direct response is easier to gain if customers want the product or recognize the products benefits as something they need. So, along with professional demonstrations that illustrate each of a number of product benefits, VBI offers inducements to buy. As mentioned above, it describes a product, quotes a price, then adds something for free to make the offer more alluring. In several cases, we saw an offer doubled, that is, twice the product for the same price. The technique forces consumers to do the value calculus at several points. Thus with the ZorbEEZ commercial example, Billy Mays quotes a quantity, two jumbo and three large ZorbEEZ. He then quotes a price, $14.99. At this stage consumers may be favorable to purchase. Immediately he offers another item, a free X27 duster. More consumers should be leaning toward purchase with this inducement. In addition those who were favorable become more committed to buy. But that is not all, Mays offers to double the offer, ten ZorbEEzs plus a free mop. At this point, only the cynical will wait for even more. Consumers will be really ready to buy and will be happy they did. The toll free number is easy to call.

Using the simultaneous branding and transaction, smaller companies can make get an early return on their investment. The key is choosing the correct product and exciting consumers to buy. While direct response is important to VBI, it also values its channel of distribution. Its products are sold both directly and in retail stores. In essence it gets a second chance at response if customers buy in person.

## Measures of success

VBI's attention to detail before accepting a product for promotion is matched by equally rigorous attention in development and commercialization. Its current website highlights six successful products. One, the Hercules Hook, is simple yet a perfect product for its target audience. It answers a need that has almost become a national joke. The Hercules Hook is an easy tool for hanging framed pictures, mirrors and other objects. Hanging such items is often delegated to the male of the house who might not get around to it or might even fail in his attempts. Typically, the task requires finding a stud beneath the surface that is difficult without a specialized sonic stud-finding tool. Instead of the need to find a stud beneath the plasterboard, the Hercules Hook is a curved device that can be pushed through wallboard. Its shape offers instant support for items to be hung. The idea is ingenious and even more remarkably, works very well. The hook needs no drill, screwdriver or hammer. One simply pushes the hook into the wall by hand, twists and turns it into position and it holds up to 150 pounds.

Since most of a typical wall area is not supported by underlying wooden studs, chances are wherever someone places a Hercules Hook will work perfectly. In the unlikely event of the hook being placed over a stud, it would be easy just to hammer in a nail. However, the product works so well that it is almost magic to the tool challenged among us. It is especially empowering to the female prime demographic that VBI targets.

## How is the Hercules Hook promoted?

Once again, Billy Mays demonstrates the Hercules Hook and it numerous benefits. Once again he offers ten Hercules Hooks for $14.99, but if you order right now, he will send 20 for the same price. Oh, wait, I forgot, he will also add a laser level to aid in hanging pictures. The ultimate deal if you order now is an offer for ten Hercules Hooks free – for life. I think that VBI and Billy Mays are on to something.

## Lessons learned

VBI offers several important lessons to other companies. The common theme is leverage. The company strategy is to maximize the effect of every action. For example, its emphasis on selecting the best of a set of new products or new product concepts acts like a force multiplier. It would require megacompany size to generate internally what multiple companies across the globe produce. In addition, VBI does not incur the costs of discarding internally generated product concepts. Perhaps more important, it does not bear the higher costs of failed product introductions.

A second lesson focuses on its intellectual property approach. Licensing another firm's technology offers a layer of insurance against patent challenges.

Third, the practice of transactional branding also multiplies the impact of the company's marketing budget. Direct response promotion generates early cash flow to cover costs. It also establishes a record of successful sales to aid in securing retailers. With each commercial and each sale, consumer awareness grows.

The last lesson is that analytics can spell the difference between break even and profitability. Specific company metrics are proprietary. However, once again, they focus on refining decision making to maximize return.

## Reference

Ulrich, K.T. and Eppinger, S.D. (1995), *Product Design and Development*, McGraw-Hill, New York, NY.