

talking point

Controlling risk in new product development

by Alan Nelson



Professional bodies are wary of risk. They see themselves as custodians of their members' funds and are rightly cautious. But I'm not sure that translates into a very systematic approach to assessing and mitigating risk when developing new products and services.

Our experience both as publishers of online CPD courses, and previously as traditional book publishers, has enabled us to identify four factors influencing risk in the development of new products and services.

What you do: the macro level decisions about the sorts of products and services you create.

Which ones you do: The micro decisions about whether to go ahead with this project or that one

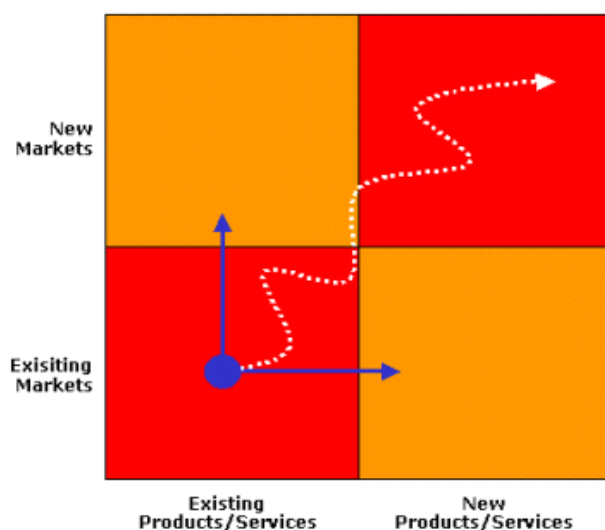
How you research your ideas: the processes for assessing the market's likely receptiveness

Who you do it with: the partners you select.

Let's look at them in turn.

What you do

This Ansoff matrix is a useful way of understanding the risk underlying what you are doing.



Most new projects involve either the development of new things for people you know (bottom right hand box) or persuading people you don't yet know to buy things that you already have (top left hand box).

We all know that the top right hand box is the most risky and we tend to avoid it. The common mistake we see people make, is to end up there by mistake. They start off, for instance, by deciding to take an existing proposition to a new market, but when they get there they find that the new customers want it presented in a slightly different way. Before they know it they are creating a new product for a new market.

Alternatively, they start to create a new product for their existing customers; but as they proceed they then get excited about all the other people who will want this exciting new thing. They get over-ambitious and once again find themselves in the top right-hand box.

The lesson is simple: beware of the top right hand box.

Which ones you do

As a publisher I have to make decisions about which projects to publish. Generally we get this right, but there was one time when I got it badly wrong. It goes back to my days as a textbook publisher and concerned a plan we developed to create higher level professional titles to sell to practitioners in the same disciplines that we published at undergraduate level. We gathered the same publishing committee together that had always made good decisions in the past. We discussed the plan at length. Slowly we came to a collective vision that we all believed in. We commissioned a range of books and published them. Despite our best efforts, without exception they failed. We hadn't realised how good we were at what we did – and conversely how little we knew about everything else.

This experience of asking a group of people to make a decision about something outside their area of expertise has a parallel in my mind with the way in which new product decisions are referred to committees in professional associations. If I am trying to decide whether to proceed with a new range of CPD courses, why would I ask a group of the best dentists in the country for their advice? While I understand the importance of asking members to approve decisions, it is important to recognise the limits of their experience and proceed cautiously.

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How you research your ideas

For me the joy of publishing was always in the unexpected. We'd publish two books. One would succeed the other would fail. My success rate increased with experience, but I also relied on researching potential users by asking them what they'd like. The problem with new types of services is that they don't know because they've never used them before. We tend to get statements that say more about the respondents' beliefs:

"This is the way of the future"

"I don't think people will want to learn like this"

"It's the networking that's important"

We have become increasingly wary of placing much weight on what you discover.

It seems that a much better way forwards is to learn by experience, taking small steps at a time. Once people have started to use a simple service, you can ask them what they like and don't like and what they'd like to see more of.

Our partnership with CPA Ireland is a good example of this. We have created a range of CPD courses which they sell to their members. It has proved very successful.

We asked the people who had used the courses what they thought. They told us that they had appreciated a service that helped them at the end of the year when they were running out of face-to-face options to complete their CPD.

They also told us that they'd like to see some technical accounting courses. So we embarked on a publishing programme to meet that need.

I found out one thing that I remember from my time in book publishing. There are lots of titles that people ought to have or would like to have, but the ones that sell the best are the ones that people have to have. These "have to have" products are defined by one of two things: greed and fear.

Greed: courses sell if it is obvious that they will enable professionals to generate additional fee income.

Fear: courses sell because people can see that not to know about the topic in question would leave them looking professionally negligent.

Some other things we found out from this process of learning were just as useful. A high proportion of the courses were bought by members in practice. It seems that people whose time is chargeable prefer not to book themselves onto an event on a particular day in the future when that might get in the way of an opportunity for fee income. Buying an online course is particularly attractive to this group because they can fit it around their quieter times.

Although only a third of CPA Ireland members are women, over half of the course purchases were made by women. We had not anticipated this but it is easily explainable. Many women take time out of their careers for child care and then return to work part time. In accountancy this is possible, retaining a few clients and completing their work during the school day for example. In those circumstances, attending a full day course in the centre of Dublin is not an option and keeping up to date with CPD online may be ideal.

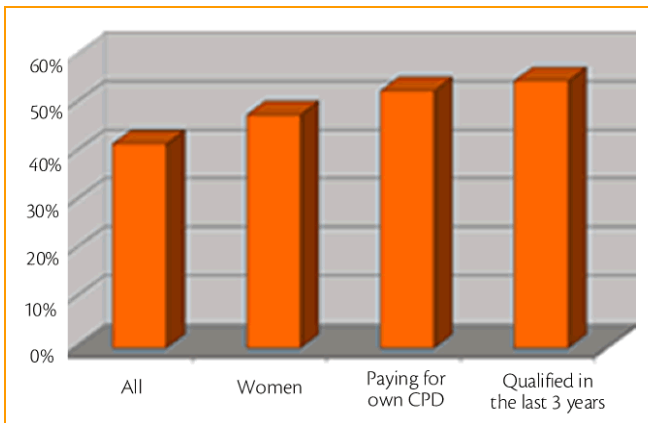
We have more data. CPA Ireland has recently completed a survey of their members. They asked the question:

"What proportion of your CPD requirements do you fulfil by online CPD?"

Overall, 42% of people said "some" or "more". When they segmented the data it got really interesting.

For women the number went up to 48%, while for those paying for their own CPD it was 53%. For those qualified within the last 3 years, the number rose to 55%. Numbers were higher for all the rural areas – as high as 55% for those living in Limerick or Clare.

When they put two of these groups together the numbers were even higher: 56% for women paying for their own CPD and 65% for women qualified in the last 3 years.



Compare all this with the response you get when you ask people whether they might want a new service they have never used, or worse still in the case of the committees, whether they think some other people might want a service they have never used. Observations about whether people will like learning this way – and we have frequently heard those – are missing the point entirely.

The question is not whether people will like it but whether there are groups of members who will find that a new service is more appropriate for their needs.

Who you do it with

When deciding who to partner with in the development of new services, it is important to understand what you want. A relationship with a partner who is prepared to invest in the development of the products may be appropriate in some cases.

We take on this publishing role through the creation of portfolios of courses that can be tailored and reused for different communities of professionals.

In other cases the subject matter is so specific to one group that there is only one body that would have a market for it. We see this as more of a bespoke development akin to contract publishing. I am always excited when we manage to bring the two concepts together into a project in which we are sharing the risk with our partner

Let me explain how this works in practice. Our accounting and finance courses are published at our risk. Nobody else contributes to the development cost. They are re-badged and sold through each of the accounting bodies. The ideas for new courses come from our partners, who act as an unofficial editorial board.

EphMRA – the European Pharmaceutical Market Research Association – came to us with a desire to create two new online courses. They were on topics that they saw as key to their reputation and they wanted to retain ownership – a contract publishing arrangement. However they were concerned that it would be difficult to market two courses. We suggested tailoring some of our existing courses for the pharma research world to give them a fuller catalogue to promote. That catalogue of courses has now been launched and we have a shared interest in its success.

The Institute of Physics approached us in a similar vein to CPA Ireland. We are at an earlier stage but whilst they are testing the reaction of their members to the new mode of delivery, we are assessing the feasibility of creating a science and engineering portfolio that we could take to other membership bodies in technical fields.



Conclusions

You can never eliminate risk, but you can make sure you minimise it. Whatever new products you are developing, if you get these four things right you won't go far wrong:

1. When you decide what to do, make sure you understand the size of the risk you are taking. Stay away from the top right hand box in the matrix.
2. Make sure that the people you involve in decisions about which specific products you develop do have relevant experience
3. Be wary of the value of asking members what they want. Testing the water bit by bit can be much more effective.
4. Choose your partners carefully and understand who is taking the risk. Where possible look for ways to share it.

Alan Nelson is co-founder of Nelson Croom. Before setting up Nelson Croom, he was the CEO of Thomson Learning's activities in the UK, Europe, the Middle East and Africa. Alan had spent the last 15 years in educational publishing. He has been at the forefront of the development of learning materials on the web.