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# Marketing communications and product performance: innovative vs non-innovative new retail financial products

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## Keywords

Marketing communications,  
Financial services,  
Product innovation,  
New product development,  
Greece

## Abstract

Reports the results of a research project into the marketing communications tools used during the launching of 100 new retail financial products – 58 non-innovative and 42 innovative – and it is part of a broader study conducted on the development and launching practices of new financial products in Greece. It is revealed that innovative and non-innovative products, generally, follow a different marketing communications approach. Innovative successful products are launched through the most integrated communications package followed by non-innovative successful products, while innovative and non-innovative unsuccessful products receive very limited communications support during their market introduction. Overall, three marketing communications tools are found to lead to enhanced performance, either for innovative or for non-innovative products, namely intensive selling, below-the-line advertising, and telemarketing.

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## Introduction

The systematic planning of new products has become the lifeblood for organizations that wish to remain competitive. Crawford (1983) states that establishing a program for developing new products may be the most profitable growth strategy compared to mergers, acquisitions or joint ventures. Brown and Eisenhardt (1995) consider product development:

...among the essential processes for success, survival and renewal of organisations, particularly for firms in either fast-paced or competitive markets.

Craig and Hart (1992) go one step further and characterise innovation as a *necessity* instead of a strategic option, which is particularly true nowadays, as companies face an increasingly turbulent external environment, shorter life cycles, industry maturity and eroding margins, as well as the ever-quicken pace of technological advances.

The scientific community has realized the urgent need for investigating the intricacies of new product development (NDP), suggesting ways for improving the rates of new product success. Therefore, a rich body of literature has been focused on various innovation management practices and particularly the critical determinants of new product performance. One factor that has consistently appeared as a determinant of the success of new products and services refers to the stage of product launch (Table I).

During this final stage of new product development, companies are confronted with four important issues, namely *when* to launch the new product (i.e. timing), *where* to launch it (i.e. geographical strategy), to *whom* (i.e. target market selection), and

finally *how* to launch it (i.e. introductory market strategy) (Kotler, 1997).

Past research reported by Booz, Allen & Hamilton (1982) revealed that of the total amount of money spent on the commercialization stage, as much as 67 percent was spent on successful projects. Further, Cooper and Kleinschmidt (1988) have found that the launch stage absorbs the second largest part of the innovation budget after product development and that compared to failed products, successful ones had significantly more time devoted to them in terms of man-days during the market launch stage.

These findings provided the impetus for focusing on the *how* aspect of the launch and especially, on the marketing communications mix (i.e. advertising, personal selling, public relations and sales promotion). This is considered the most costly part of product launch, and it is a research area that together with distribution has received less attention compared to other launch-related decisions (Hultink *et al.*, 1997a). Overall, the purpose of the present study is to explore the marketing communications tools used during the introduction of new retail financial products, innovative and non-innovative, as well as the tools that affect new product performance.

The decision to concentrate the empirical investigation in the retail financial market stems from the crucial importance of developing new offerings for the survival and wealth of financial companies nowadays. This industry has witnessed increasing competition from traditional as well as new players caused by changing information technology, new customer needs and deregulation (Reidenbach and Moak, 1986; Ennew *et al.*, 1993; Cooper *et al.*, 1994). Indeed, as Cooper and de Brentani (1991) pinpoint:



New service products are key to the future growth and prosperity of financial institutions [however] ... relatively little research has been probed the secrets to new product success for new financial services

To this end, the paper is organized as follows. First, a review of the literature dealing with the launch stage of new products is provided. Next, the research objectives of the study and the research methodology are presented. Then, a separate section is devoted to the presentation of the analysis and results. Finally, the paper provides a discussion and the conclusions from the study.

### Literature review

As already mentioned, the stage of product launch is frequently found among the most significant determinants of new product success. However, the conceptualizations of the product launch stage put forward by researchers measure the effectiveness or proficient use of a number of general launch activities (e.g. promotion), rather than the specific actions undertaken (e.g. newspaper advertising, telemarketing). In fact, only a limited number of researchers have explored the communications tools used for launching new products (Cooper and Kleinschmidt, 1986; Sanchez and Elola, 1991; Beard and Easingwood, 1996).

More specifically, Cooper and Kleinschmidt (1986) examined a number of promotional activities or tools used in the launching of new industrial product projects in Canada. Later, this study was replicated in Spain by Sanchez and Elola (1991) on a company level. The results of these two studies are provided in Table II. In both countries, the launch was mainly based on trade literature, trade shows, and trade advertising with no special promotion or training for the salesforce. Despite the importance of such preliminary results, there is no indication regarding the activities, which should be emphasized in order to reach high performance in the market.

A decade ago, Easingwood and Beard (1989) also examined the new product launch strategies of high technology companies in the UK. These researchers were concerned with strategies followed to accelerate the initial rate of adoption of technology-intensive products. Their investigation identified four main launch strategies, namely:

- 1 cooperate with other producers, with two main approaches: share the technology and embark on an education program;
- 2 position the product in the market, with three approaches: adopt innovative adopters, heavy users of the product category and heavy users of preceding technology;
- 3 reduce the risk of adoption, with two approaches: trial without purchase and absorb the risk by providing free installation and operation; and
- 4 win market support, with three approaches: win backing of opinion leaders, establish a "winner" reputation and "legitimize" the new product.

The study concluded that positioning the product in the market was the most frequently used launch strategy followed by winning market support, cooperating with other producers, and finally reducing the risk of adoption.

More recently, Beard and Easingwood (1996) identified four types of tactics and the respective actions followed for accelerating the initial rate of adoption of new technology-intensive products, namely:

- 1 market preparation (e.g. licensing the product technology);
- 2 targeting (e.g. target innovators);
- 3 positioning (e.g. emphasize a low price); and
- 4 attack (e.g. use opinion leaders).

The researchers confirmed their initial hypothesis that the use of these tactics by marketers depends on the degree of market

**Table I**

Critical success factors relating to the launching stage

Factors	Studies
<b>New product development literature</b>	
Inadequate salesforce, marketing efforts and product distribution (-)	Hopkins and Baileys (1971); Cooper (1975)
Lack of selling and promotion resources (-)	Calantone and Cooper (1979)
Attention to marketing and publicity	Rothwell (1972); Rothwell <i>et al.</i> (1974)
Strong marketing communications and launch effort (i.e. salesforce, advertising)	Cooper (1979); Parry and Song (1994)
Management support during the product development and introduction processes	Maidique and Zirger (1984, 1985); Zirger and Maidique (1990)
Proficiency of product commercialization	Song and Montoya-Weiss (1998)
<b>New service development literature</b>	
Quality of execution of the launch	Cooper and de Brentani (1991); de Brentani and Cooper (1992)
Targeting through direct mail	Easingwood and Storey (1991)
Consistency in communications, direct mail strength	Easingwood and Storey (1993)
Formal and extensive launch program	de Brentani (1993)
Launch effectiveness	Edgett and Parkinson (1994)
Proficiency of market launch activity	Atuahene-Gima (1996)
Launch preparation	Cooper <i>et al.</i> (1994); Deal and Edgett (1997)

**Note:** (-) refers to a factor that leads to new product failure. All the other factors are positively related to new product performance

newness and technological maturity. More specifically, their results have shown that the launching of products in new markets focuses primarily on positioning on the basis of technology and applications-specific attributes. On the other hand, products that incorporate a new technology concentrate on targeting and attack tactics aiming at increasing awareness. The researchers noted that their future plans involve the investigation of the extent to which specific launch tactics have an impact on the performance of new high-technology products.

In a similar vein, Yoon and Lilien (1985) compared original new (i.e. innovative) with reformulated (i.e. non-innovative) industrial products along various market, development and launching dimensions and concluded that the former use more direct selling than the latter. However, this study makes no reference to which communications tools lead original new and reformulated products to high performance.

Another set of empirical studies that is available in the literature addresses the issue of the association between the strategic (e.g. product, market, firm strategy, competitive stance) and tactical launch decisions (e.g. product, promotion, pricing, distribution), also, attempting to identify strategic-tactical launch decisions which have an impact on new product performance (Hultink *et al.*, 1997b; Hultink *et al.*, 1998). The common characteristic of these investigations is the development of varying classification schemes of new products on the basis of the adopted launching strategy, which include both strategic and tactical launch decisions. For example, Hultink *et al.* (1997a) found that the strategic decisions regarding product innovativeness, market targeting, the number of competitors and whether the product is marketing or technology driven

are associated with the tactical decisions of branding, distribution expenditures and intensity and pricing. However, none of these studies examines the marketing communications tools for introducing new products into the market or their impact on performance.

Finally, there is some empirical evidence in the literature regarding the relationship between different marketing mix elements and new product performance. More specifically, a new product has higher possibilities of success when advertising expenditures are higher (Lambkin, 1988; Green and Ryan, 1990), product assortment is broader compared to competition (Lambkin, 1988) and price is lower compared to competition (Choffray and Lilien, 1984; Lambkin, 1988).

## Research objectives

It is clear from the review of the pertinent literature that, although some research attempts have started to appear regarding the *how* or the tactical aspects of product launching, very limited work has been done regarding the marketing communications tools that lead to higher performance. Further, although a number of researchers have stressed the possible moderating role of product innovativeness in deciding on the launch program of a new product, only two studies were concerned with this issue. What is most important is that these studies investigated mainly high-tech industrial products and none of them was concerned with consumer/retail financial products or at least new service products in general.

The present study may be viewed as an extension of the work of Cooper and Kleinschmidt (1986), as it also examines the use of certain marketing communications tools. However, it further investigates their relationship with new product performance, and it also explores their use under different degrees of product innovativeness. Overall, the present study has four distinct research objectives, namely:

- 1 to identify the marketing communications tools which are used in launching new retail financial products;
- 2 to explore the marketing communications tools which are used in launching innovative and non-innovative products and to examine whether the emphasis placed upon certain marketing communications tools is contingent upon the innovativeness of the new product;
- 3 to reveal the marketing communications tools which are related to the performance

**Table II**

Comparison of promotional tools used in Canada and Spain

	Canada <sup>a</sup> %	Spain <sup>b</sup> %
Trade literature, trade shows, and trade advertising but no special promotion or training for the salesforce	35.8	35.7
Trade literature, trade shows, and trade advertising plus a strong salesforce promotional effort: demonstrations, conferences, and seminars for customers	20.8	28.6
Trade literature, trade shows and trade advertising plus special training for the salesforce	20.8	26.8
Very limited efforts: virtually, nothing special done for the launch	17.0	12.5

**Source:**

<sup>a</sup>Cooper and Kleinschmidt (1986): % indicates percentage of new products examined.

<sup>b</sup>Sanchez and Elola (1991): % indicates percentage of companies examined

- outcomes of innovative and non-innovative new retail financial products;
- and
- 4 to investigate the marketing communications tools which discriminate between successful and unsuccessful new retail financial products.

## Research methodology

### Sample

The present study is part of a wider research project on the development and launching of new financial products in Greece. Initially, a list of 115 financial companies operating in Greece was traced through the ICAP Directory (1997), Gallup's subsidiary in Greece. The single criterion for inclusion in the study was that the company had developed new financial products over the past three years. Each company was contacted by telephone to find whether or not they met this criterion and also to identify potential respondents. This procedure produced a sampling frame of 100 companies from various financial sectors.

Next a personalized pre-notification letter was mailed to the potential respondents explaining the objectives of the study and soliciting cooperation. A week after, a telephone call was made to them in order to discuss the possibility of participating in the study. This approach has been found to increase response rates considerably (Yu and Cooper, 1982). At first, all companies agreed to participate in the study.

### Research instrument

The data were secured by means of a ten-page self-administered questionnaire. Following the suggestions of Churchill (1979) when developing the questionnaire, existing scales were adopted, modified and extended. Information was gathered employing various forms of response such as 1-5 Likert-type and other scales, as well as dichotomous and multipartite questions, when appropriate. Before administering the questionnaire, a detailed pretest was conducted (Dillman, 1978; Hunt *et al.*, 1982).

The questionnaire was submitted to three university professors with long experience in academic research, as well as seven test respondents drawn from the population under investigation, in order to increase the content validity of the research instrument. Personal interviews were held, as they have been found to be highly appropriate for pretesting (Boyd *et al.*, 1989).

### Data collection

To collect the data, we followed the *dropping off* method (Fowler, 1993). Questionnaires were handed to respondents and, in most cases, a picking-up appointment was set. Respondents were NPD project leaders who were asked to select two financial products, one successful and one unsuccessful, that they had developed and launched to a specific market segment within the last three years and reply to all questions relating to the development and launching of these products. However, they were urged to consult other company personnel for the questionnaire's completion, where it was considered to be necessary, in an attempt to avoid some of the disadvantages inherent in the *key informant technique* for data collection (Phillips, 1981).

### Response

After two follow-up contacts by telephone and fax, 84 financial companies provided data on 132 new financial products (both retail and corporate), yielding a company response rate of 84.0 percent and a project response rate of 71.4 percent. In this article, we only use data from the 100 financial products targeted to the retail market, 54 successful and 46 unsuccessful.

The lower number of failures compared with successes is consistent with previous research using a pair-wise methodology (Cooper, 1979; Cooper and Kleinschmidt, 1987; Easingwood and Storey, 1991, 1993; Edgett, 1996; Hultink *et al.*, 1997a).

Overall, the high response rate achieved proves the strong interest of financial companies in the development of successful new products, and further "legitimizes" the data collection method followed.

Before proceeding, it is necessary to make the following clarification: as the application of different marketing mixes allows the same core product to be marketed to different markets, we must note that the present study examines the use of marketing communications tools as determined for new products targeted to particular market segments (e.g. a credit card for younger people), rather than new products in aggregate (e.g. a credit card)[1]. The methodological approach of analyzing samples of new products introduced in specific markets is typical for new product launch studies (Cooper and Kleinschmidt, 1986; Beard and Easingwood, 1996; Hultink *et al.*, 1997b; Hultink *et al.*, 1997a; Hultink *et al.*, 1998).

## Measures

### Marketing communications

Having as a general guide the previous work in the field by Cooper and Kleinschmidt (1986), Beard and Easingwood (1996) as well as the results of 14 exploratory interviews that were conducted prior to the survey, we selected 27 marketing communications tools to be measured. These tools fall into Kotler's (1997) four major elements of the marketing communications mix, namely advertising, personal selling, public relations and sales promotion. Using a five-point scale, respondents were asked to indicate the extent to which each tool was used during the stage of product launching (1: not at all, 5: to a very large extent). These 27 marketing communications tools, together with descriptive statistics are provided in Table III.

### Degree of product innovativeness

Product innovativeness was measured in two ways. First, it was measured using a five-

point "global" scale (1: not innovative at all, 5: very innovative). Second, it was also measured through the construction of a Likert-type summated scale, in terms of the domain sampling model (Nunnally, 1978). The summated scale, which was treated in this study as leading to interval measurement quality[2], included 14 items (statements) rated on a five-point scale (1: strongly disagree, 5: strongly agree). Reflecting a high degree of face validity, these items examined the product innovativeness characteristics of:

- 1 product newness to the market,
- 2 product modification,
- 3 operating/delivery newness and
- 4 managerial practices newness.

This measurement led to the identification of six types of product innovativeness, namely:

- 1 new-to-the-market products,
- 2 new-to-the-company products,
- 3 new delivery processes,
- 4 product line extensions,
- 5 product modifications, and

**Table III**

Means and standard deviations for the 27 marketing communications tools

Marketing communications tool	Mean	Standard deviation
Use of television advertising	1.40	0.88
Use of radio advertising	1.74	1.19
Use of newspapers advertising	2.50	1.26
Use of magazines advertising	2.28	1.29
Use of Internet advertising	1.29	0.82
Use of direct mail	2.09	1.40
Use of direct response advertising (e.g. telephone hotline)	1.50	1.10
Use of pamphlets, leaflets	3.52	1.33
Use of fairs and trade shows	1.80	1.21
Use of outdoor advertising	1.34	0.87
Use of indoor advertising	3.31	1.40
Intensive efforts were made by the salesforce to promote the product	3.24	1.16
The salesforce informed customers about the product through "cross-selling".	3.12	1.23
The selling efforts were made at the points of sales	3.80	1.35
The selling efforts were made at customer sites	2.66	1.40
The selling efforts were made through telephone	2.23	1.29
The product was sold through Internet	1.13	0.53
Detailed product manuals were prepared for the salesforce (e.g. on product specifications, target-market, product's operating mode)	3.86	1.06
Training seminars were organized for the salesforce	3.55	1.34
Articles about the product were written in the business press	2.98	1.26
An official presentation of the product was organized (e.g. press conference, reception)	1.70	1.21
A press kit was distributed with detailed material about the product	2.35	1.39
The product was supported-advertised by opinion leaders	1.33	0.75
Seminars-lectures about the product were organized for customers	2.05	1.31
Follow-up launch, articles about the product's performance appeared systematically in the business press	2.19	1.37
The purchase of the product was accompanied by low value company gifts (e.g. pens, agendas)	1.14	0.40
Special contests for the customers were organized	1.16	0.56

6 product repositionings (Avlonitis and Papastathopoulou, 1999).

However, for the purposes of the present analysis we used the “global” measure of the degree of product innovativeness. On the basis of the distribution of cases along this five-point scale, the sample was divided in two parts. Products rated from 1 to 3 were characterized as non-innovative, while products rated from 4 to 5 were considered as innovative. Overall, the sample consisted of 58 non-innovative products and 42 innovative products. Indeed, further analysis indicated that the innovative products were those that we identified as new-to-the-market products, new-to-the-company and new delivery processes, while the non-innovative products were those which we identified as product modifications, product line extensions and product repositionings (Avlonitis and Papastathopoulou, 1999).

#### **New product performance**

New product performance was measured from the viewpoint of supplier (i.e. financial company). Using a five-point “global” scale, respondents were asked to indicate how successful the selected new financial product was in terms of achieving its market objectives (1: major failure, 5: major success). This way of measuring new service performance has been extensively used in the literature (Easingwood and Percival, 1990; Easingwood and Storey, 1991; de Brentani, 1995; de Brentani and Ragot, 1996). On the basis of the distribution of cases along this measure, the sample was divided in two parts. Products rated from 1 to 3 were characterized as unsuccessful, while products rated from 4 to 5 were considered as successful. Overall, from the 58 non-innovative products, 27 were successful and 31 were unsuccessful, while from the 42 innovative products, 27 were successful and 15 were unsuccessful.

### **Empirical findings**

#### **Use of marketing communications tools**

An examination of the extent to which the 27 marketing communications tools are used in launching new retail financial products reveals that the great majority of these tools are used to a limited extent (Table III). On the other hand, seven tools are used from a moderate to a very large extent (mean value exceeding 3.0), which, in rank order of importance, are as follows:

- 1 detailed product manuals for the salesforce (3.86);
- 2 selling efforts at the points of sales (3.80);

- 3 training seminars for the salesforce (3.55);
- 4 pamphlets and leaflets (3.52);
- 5 indoor advertising (3.31);
- 6 intensive selling efforts (3.24);
- 7 selling efforts through “cross-selling” (3.12).

These tools refer mainly to personal selling and also to below-the-line advertising at the points of sales through pamphlets and leaflets, sales manuals and indoor ads in support of the selling effort. Clearly, companies operating in the Greek retail financial market follow a rather traditional branch-based approach in communicating their new products to the publics. Above-the-line advertising (e.g. TV, radio ads), public relations (e.g. press releases and editorials) and sales promotion (e.g. gifts, contests) are of limited use.

Next, our analysis turned to the examination of the tools that are used in launching innovative and non-innovative products. As shown in Table IV, the marketing communications mix of non-innovative products consists of six tools, which are used from a moderate to a very large extent (mean value exceeding 3.0). In rank order of importance, these are:

- 1 selling efforts at the points of sales (3.72);
- 2 detailed product manuals for the salesforce (3.64);
- 3 training seminars for the salesforce (3.24);
- 4 pamphlets and leaflets (3.19);
- 5 indoor advertising (3.14); and
- 6 intensive selling efforts (3.13).

On the other hand, innovative products base their communication strategy on nine tools. These tools are used from a moderate to a very large extent (mean value exceeding 3.0), and in rank order of importance are as follows:

- 1 detailed product manuals for the salesforce (4.17);
- 2 pamphlets and leaflets (3.98);
- 3 training seminars for the salesforce (3.98);
- 4 selling efforts at the points of sales (3.90);
- 5 indoor advertising (3.55);
- 6 articles about the product in the business press (3.55);
- 7 intensive selling efforts (3.40);
- 8 selling efforts through “cross-selling” (3.31); and
- 9 newspapers advertising (3.10).

Although, these results indicate that six out of the nine tools that are used extensively in the launching of innovative products are also widely used in the launching of non-innovative products, a series of *t*-tests provided additional insight in this issue. More specifically, this analysis revealed that

**Table IV**

Comparison of innovative and non-innovative new retail financial products on 27 marketing communications tools

Marketing communications tool	Non-innovative products (n = 42)	Innovative products (n = 58)	t-value	2-tail sign
Use of television advertising	1.24	1.63	- 2.02	0.048
Use of radio advertising	1.48	2.10	- 2.42	0.018
Use of newspapers advertising	2.07	3.10	- 4.18	0.000
Use of magazines advertising	1.91	2.79	- 3.39	0.001
Use of Internet advertising	1.19	1.44	- 1.41	n.s.
Use of direct mail	1.88	2.38	- 1.73	0.088
Use of direct response advertising (e.g. telephone hotline)	1.52	1.48	0.19	n.s.
Use of pamphlets, leaflets	3.19	3.98	- 3.16	0.002
Use of fairs and trade shows	1.64	2.02	- 1.55	n.s.
Use of outdoor advertising	1.36	1.31	0.30	n.s.
Use of indoor advertising	3.14	3.55	- 1.20	n.s.
Intensive efforts were made by the salesforce to promote the product	3.13	3.40	- 1.31	n.s.
The salesforce informed customers about the product through "cross-selling"	2.98	3.31	- 0.68	n.s.
The selling efforts were made at the points of sales	3.72	3.90	- 0.68	n.s.
The selling efforts were made at customer sites	2.45	2.95	- 1.74	0.085
The selling efforts were made through telephone	2.17	2.31	- 0.52	n.s.
The product was sold through Internet	1.09	1.19	- 0.89	n.s.
Detailed product manuals were prepared for the salesforce (e.g. on product specifications, target-market, product's operating mode)	3.64	4.17	- 2.57	0.012
Training seminars were organized for the salesforce	3.24	3.98	- 2.87	0.005
Articles about the product were written in the business press	2.57	3.55	- 4.12	0.000
An official presentation of the product was organized (e.g. press conference, reception)	1.45	2.05	- 2.39	0.019
A press kit was distributed with detailed material about the product	1.98	2.85	- 3.17	0.002
The product was supported-advertised by opinion leaders	1.24	1.45	- 1.33	n.s.
Seminars-lectures about the product were organized for customers	2.09	2.00	0.32	n.s.
Follow up launch, articles about the product's performance appeared systematically in the business press	1.83	2.69	- 3.23	0.002
The purchase of the product was accompanied by low value company gifts (e.g. pens, agendas)	1.09	1.21	- 1.45	n.s.
Special contests for the customers were organized	1.10	1.24	- 1.09	n.s.

with only five tools that are used extensively, launches of innovative products place significantly higher emphasis compared to non-innovative products, namely (Table IV):

- detailed product manuals,
- training seminars for the salesforce,
- pamphlets and leaflets,
- articles in the business press and
- newspaper advertising.

All in all, innovative products show a significant greater use of 13 marketing communications tools compared to non-innovative products. In general, it seems that, compared to non-innovative products, innovative products are launched using more above-the-line (e.g. TV, radio ads) and below-

the-line advertising (e.g. articles in the business press), direct mail, selling efforts at customer sites and training seminars for the salesforce.

#### **Impact of marketing communications tools on product performance**

As part of the present study, we also attempted to identify whether different marketing communications tools are used by four different groups of products, namely innovative successful, innovative unsuccessful, non-innovative successful and non-innovative unsuccessful products. For this purpose, we performed one-way analysis of variance (ANOVA). The results are presented in Table V.

**Table V**

Comparison of innovative and non-innovative (successful, unsuccessful) new retail financial products on 27 marketing communications tools – ANOVA

	Innovative successful products (n = 27)	Non- innovative successful products (n = 27)	Innovative unsuccessful products (n = 31)	Non- innovative unsuccessful products (n = 15)	F	Sig.
Use of television advertising	[1.88]	1.37	1.20	(1.13)	4.266	0.007
Use of radio advertising	[2.31]	1.59	1.73	(1.39)	3.215	0.026
Use of newspaper advertising	[3.52]	(2.04)	2.23	(2.10)	10.668	0.000
Use of magazine advertising	[3.22]	2.00	2.00	(1.84)	8.143	0.000
Use of Internet advertising	1.62	1.22	1.13	1.16	1.896	n.s.
Use of direct mail	2.52	1.89	2.13	1.87	1.297	n.s.
Use of direct response advertising (e.g. telephone hotline)	1.56	[1.89]	1.33	(1.19)	2.151	0.099
Use of pamphlets, leaflets	[4.26]	3.63	3.47	(2.81)	6.866	0.000
Use of fairs and trade shows	[2.15]	2.00	1.80	(1.32)	2.715	0.049
Use of outdoor advertising	1.37	1.56	1.20	1.19	0.992	n.s.
Use of indoor advertising	[4.15]	3.56	(2.47)	(2.77)	8.388	0.000
Intensive efforts were made by the salesforce to promote the product	[3.93]	3.81	(2.47)	(2.51)	17.551	0.000
The salesforce informed customers about the product through "cross-selling"	[3.78]	3.52	(2.47)	(2.52)	9.220	0.000
The selling efforts were made at the points of sales	[4.26]	4.04	(3.27)	3.45	2.960	0.036
The selling efforts were made at customer sites	[3.07]	2.78	2.73	(2.16)	2.254	0.087
The selling efforts were made through telephone	[2.67]	2.52	(1.67)	1.87	3.503	0.018
The product was sold through Internet	1.15	1.11	1.27	1.06	0.514	n.s.
Detailed product manuals were prepared for the salesforce (e.g. on product specifications, target-market, product's operating mode)	[4.41]	3.85	3.73	(3.45)	4.385	0.006
Training seminars were organized for the salesforce	[4.11]	3.74	3.73	(2.81)	5.725	0.001
Articles about the product were written in the business press	[3.93]	3.19	2.87	(2.03)	16.630	0.000
An official presentation of the product was organized (e.g. press conference, reception)	[2.19]	1.52	1.80	(1.39)	2.480	0.066
A press kit was distributed with detailed material about the product	[3.37]	2.19	1.93	(1.81)	8.655	0.000
The product was supported-advertised by opinion leaders	1.41	1.41	1.53	1.10	1.574	n.s.
Seminars-lectures about the product were organized for customers	2.07	2.37	1.87	1.84	0.901	n.s.
Follow up launch, articles about the product's performance appeared systematically in the business press	[2.89]	2.56	2.33	(1.19)	11.144	0.000
The purchase of the product was accompanied by low value company gifts (e.g. pens, agendas)	1.26	1.11	1.13	1.06	1.209	n.s.
Special contests for the customers were organized	1.26	1.11	1.20	1.10	0.495	n.s.

**Notes:** Figures represent mean values. Maximum values are in brackets while minimum values are in parentheses (based on Duncan's multiple range test,  $p < 0.10$ ). Sig. indicates level of significance based on one-way analysis of variance

Most of the tools tend to show significant differences in use between these four product groups. In fact, we observe a continuum of use from innovative successful products (highest use), through non-innovative

successful, to innovative unsuccessful and finally, to non-innovative unsuccessful products (lowest use). More specifically, innovative successful products appear to have the most integrated communications

package consisting of print advertising, press coverage, intensive selling from well-trained direct salesforce and also branch salesforce with the support of indoor advertising. Further, marketing communications for non-innovative successful products is based on a lower number of promotional tools that refer to press coverage and intensive branch selling by trained staff with the support of indoor promotional material. The marketing communications mix of the innovative unsuccessful products, on the other hand, is limited to selling efforts from a branch-based and well-trained salesforce with the support of pamphlets/leaflets. Finally, non-innovative unsuccessful products appear to be the group with the minimum use of almost all the promotional tools. These products, barely, receive any communication support during their launch.

The final stage of the analysis was concerned with the marketing communications tools that discriminate between successful and unsuccessful new retail financial products regardless of their degree of product innovativeness.

Before proceeding to this analysis, an examination of the correlation matrix of the 27 marketing communications tools revealed that many of them were interrelated. This fact led to the conclusion that it might be possible to reduce this initial number of tools in a subset of major underlying dimensions. In order to examine whether this was actually the case, a principal components factor analysis (varimax rotation) was performed. On the basis of factor interpretability and eigenvalue  $\geq 1.0$ , nine independent composite factors or marketing communications dimensions were identified, explaining 72.9 percent of the variance in the original 27 marketing communications tools (Table VI). These were:

- 1 Below-the-line advertising, which includes the use of pamphlets, leaflets, articles about the product, press kits, articles about the product's performance, and detailed product manuals for the salesforce.
- 2 Intensive selling efforts, which incorporates the use of intensive efforts by the salesforce, "cross-selling", fairs and trade shows, and indoor advertising.
- 3 Above-the-line advertising which loaded heavily on items representing the use of TV, radio, newspaper and magazines advertising.
- 4 Direct marketing through the Internet and direct mail, which measures the degree of use of Internet advertising, direct mail, and the Internet as a selling point.

- 5 Trained direct salesforce, which captures the selling efforts made away from the points of sales and particularly at customer sites, and the training seminars for the salesforce.
- 6 Telemarketing, which includes the use of direct response advertising, and selling efforts through telephone.
- 7 Public relations, which refers to the set-up of an official product presentation, and product seminars-lectures for customers.
- 8 Outdoor advertising using opinion leaders, which reflects the use of outdoor advertising, and product advertising by opinion leaders.
- 9 Sales promotion, which captures the marketing communications aspects of offering low value company gifts to customers, and setting-up special contests for the customers.

Factor scores representing each of these nine marketing communications factors were then constructed for each NPD project in the sample to be used in the subsequent analysis.

Deal and Edgett (1997) has recently found that the combinations of factor and discriminant analysis is more effective compared to other techniques such as classification and regression trees or logit analysis in evaluating the factors that lead new financial products to higher performance. Therefore, in order to unveil which of the nine marketing communications factors separate the successful from the unsuccessful new retail financial products, we decided to use a two-group stepwise discriminant analysis treating performance (success, failure) as the dependent variable and the nine marketing communications dimensions as the independent variables. This particular analysis has been previously used for critical success factors studies in product innovation (Cooper, 1979; Calantone and Cooper, 1979; Edgett and Parkinson, 1994) as it is appropriate in situations where a sample is divided into known groups based on some classificatory variable (in this case: new product performance), and the researcher is interested in predicting correct group membership of new cases based on the information on a set of predictor variables (in this case: the nine marketing communications factors).

The eigenvalue of 0.571 indicated that a good function had been developed while the canonical correlation of 0.603 pointed that the discriminant scores and the groups were highly correlated. The value of Wilk's Lambda is 0.637 indicating that there is a good degree of the total variance in the

**Table VI**

Factor analysis results of 27 marketing communications tools

	Factor	Variables	Factor loadings
<b>F1</b>	<b>Below-the-line advertising (26.8%)</b>	Use of pamphlets, leaflets	0.673
		Articles about the product were written in the business press	0.774
		A press kit was distributed with detailed material about the product	0.717
		Follow-up launch, articles about the product's performance appeared systematically in the business press	0.715
		Detailed product manuals were prepared for the salesforce (e.g. on product specifications, target-market, product's operating mode)	0.579
<b>F2</b>	<b>Intensive selling (8.0%)</b>	Intensive efforts were made by the salesforce to promote the product	0.739
		The salesforce informed customers about the product through cross-selling	0.859
		Use of fairs and trade shows	0.459
		Use of indoor advertising	0.667
<b>F3</b>	<b>Above-the-line advertising (7.3%)</b>	Use of television advertising	0.673
		Use of radio advertising	0.819
		Use of newspapers advertising	0.596
		Use of magazines advertising	0.672
<b>F4</b>	<b>Direct marketing through Internet and direct mail (6.8%)</b>	Use of Internet advertising	0.820
		Use of direct mail	0.549
		The product was sold through the Internet	0.805
<b>F5</b>	<b>Use of trained direct salesforce (6.2%)</b>	Selling efforts were made at the points of sales	- 0.721
		Selling efforts were made at customer sites	0.753
		Training seminars were organized for the salesforce	0.534
<b>F6</b>	<b>Telemarketing (5.2%)</b>	Use of direct response advertising (e.g. telephone hotline)	0.862
		Selling efforts were made through telephone	0.840
<b>F7</b>	<b>Public relations (4.5%)</b>	An official presentation of the product was organized (e.g. press conference, reception)	0.632
		Seminars-lectures about the product were organized for customers	0.733
<b>F8</b>	<b>Outdoor advertising using opinion leaders (4.3%)</b>	Use of outdoor advertising	0.561
		The product was supported-advertised by opinion leaders	0.805
<b>F9</b>	<b>Sales promotion (3.8%)</b>	The purchase of the product was accompanied by low value company gifts (e.g. pens, agendas)	0.846
		Special contests were organized for the customers	0.565

**Notes:** Figures in parentheses represent the variance explained by each factor. Cumulative percent of variance explained = 72.9; Kaiser-Meyer-Olkin measure of sampling adequacy = 0.74370; Bartlett test of sphericity = 1234.0825; Significance = 0.00000

discriminant scores not explained by differences among means. This is also supported by a chi-square of 43.139 (d.f. = 3) significant at 0.000. The standardized discriminant function coefficients along with the centroids (means) for the two product groups (i.e. successes, failures) and also the *F* to enter or remove from the stepwise analysis are shown in Table VII. The larger the standardized coefficient value, the higher is the discriminating contribution of the respective factor. Overall, three of the nine

marketing communications factors entered the final discriminant model, namely intensive selling, below-the-line advertising, and telemarketing.

The predictive power of the discriminant model is considered strong as 79.0 per cent of the cases were correctly classified (Table VIII). From the unsuccessful group of products (*n* = 46) the discriminant function correctly classified 35 or 76.1 percent, while from the successful group of products (*n* = 54) it correctly classified 44 or 81.5 percent.

In order to assess the accuracy of this classification result we compared it with what could have been predicted by chance on the basis of the proportional chance criterion (Morrison, 1969). The percentage of "grouped cases" correctly classified by chance is 50.3 percent and is given by the following formula:

$$C_{\text{pro}} = \alpha^2 + (1 - \alpha)^2$$

where  $\alpha$  = proportion of cases in Group 1 (unsuccessful products), and  $1 - \alpha$  = proportion of cases in Group 2 (successful products). Therefore, we conclude that there is approximately 29 percent (79.0 - 50.3) improvement in prediction accuracy through the use of the discriminant function.

A second validation was deemed necessary as a number of researchers pose concerns about a bias inherent in a discriminant analysis applied in small samples (Frank *et al.*, 1965; Morrison, 1969; Montgomery, 1975; Crask and Perreault, 1977; Dillon *et al.*, 1978; Dillon, 1979). This bias stems from the fact that the same set of cases is used for both developing the discriminant equation and examining how well this equation predicts group membership and thus it results in a percentage of correctly classified cases that is overly optimistic. Therefore, a validation of the discriminant analysis using the U-method was employed (Lachenbruch and Mickey, 1968). Each case was classified into a group on the basis of the classification functions computed from all the cases except

the case being classified. The classification results of the U-method presented in Table IX are comparable to the results of the stepwise method, further validating the appropriateness of the latter method in discriminating between successful and unsuccessful new retail financial products.

## Discussion

The empirical findings presented in this article provide interesting insights into both the marketing communications tools used in launching innovative and non-innovative products in the highly competitive retail financial market as well as their impact on performance.

An interesting result of the study is that, compared to non-innovative retail financial products, innovative ones, that is products new to the company and the market and also new delivery processes, tend to follow a more complete as well as aggressive marketing communications strategy. What is even more interesting is that such a strategy is found to be beneficial in terms of performance, in the sense that innovative products that are promoted extensively have a higher chance of success in the market than similar products that are not given decent communications support during their launch. This empirical result is in contrast with what it is suggested in the literature and was also found during our qualitative pre-study in a sample of 14 NPD managers. More specifically, most of the interviewees shared the argument expressed in the literature, according to which a highly visible launch can lead to faster competitive response (MacMillan *et al.*, 1985), especially as far as really new service products are concerned, due to their intangible nature. Therefore, it is argued that, their market exposure should not be extensive. By contrast, the quantitative findings of the study, which are present in this paper, clearly indicate that such an approach is wrong and can limit the success possibilities of a new retail financial product. Possible reasons for this discrepancy may be that:

- innovative products are backed by operating or delivery systems that require significant investments and in that sense they create a barrier to entry for competition[3],
- imitative actions to new product introductions are not so direct after all,
- there is a great need for retail financial products in the market, that their diffusion, adoption and eventual success in the market are secured anyway.

**Table VII**

Discriminant analysis results

Factor <sup>a</sup>		Standardized function coefficients	Wilk's Lambda <sup>b</sup>	F to enter or remove
<b>F2</b>	<b>Intensive selling</b>	0.826	0.804	23.681
<b>F1</b>	<b>Below-the-line advertising</b>	0.661	0.689	21.613
<b>F6</b>	<b>Telemarketing</b>	0.466	0.636	18.082
<b>Group</b>	Successes: 0.699 (N = 54)			
<b>Centroids:</b>	Failures: - 0.803 (N = 46)			

**Notes:**

<sup>a</sup>In order of inclusion in the discriminant function

<sup>b</sup>Significant at the 0.000 level

**Table VIII**

Classification results (stepwise method)

Actual group	No. of cases	Predicted group membership	
		(1) Unsuccessful	(2) Successful
Unsuccessful	46	35	11
		76.1%	23.9%
Successful	54	10	44
		18.5%	81.5%

*(continued)*

However, given the limited empirical work on this issue, additional research is needed in order to reach firm conclusions.

In addition, the study revealed that three marketing communications factors have been found to discriminate between successful and unsuccessful new retail financial products irrespective of their degree of innovativeness:

- Intensive selling is the most important marketing communications factor leading new retail financial products to success. Products that were strong in this factor were presented in fairs and trade shows, had extensive indoor advertising presence and were promoted indirectly in conjunction with other company products (i.e. cross-selling techniques). This result clearly underscores the profound importance of personal selling in launching new retail financial products successfully. This result is consistent with previous research, which has shown that intensive salesforce efforts lead to higher new product performance (see Table I). Meidan (1996) provides a number of reasons why personal selling is perhaps the most important element in the communications process in the financial services industry. These include creating financial product awareness, developing financial product preference, negotiating prices and other terms, closing a sale and providing after-sales reinforcement and reassurance to the customer.
- Below-the-line advertising follows second in the success list of promotional tools for launching new financial products targeted to the retail market. Products that used below-the-line advertising heavily were communicated through the extensive use of pamphlets, leaflets, sales manuals and press coverage. As mentioned earlier, these promotional tools are supportive to the main selling effort.
- Telemarketing also plays a critical role in leading retail financial products to high performance outcomes. Projects that were

strong on this factor were those using telephone for selling the product as well as for direct response advertising such as a telephone hotline for potential customers. Apparently, telemarketing is a highly efficient way of differentiating retail financial products in terms of their delivery process.

Apart from the three marketing communications factors that have been found to separate successful from unsuccessful new retail financial products, a remaining set of six factors seem to have no impact on performance outcomes. Specifically, above-the-line advertising; public relations; direct marketing through the Internet and direct mail; outdoor advertising using opinion leaders; sales promotion, and use of trained direct salesforce. The lack of any significant impact of the first five marketing communications factors on performance may be attributed to the fact that, as Table III shows, the launching tools comprising these factors were used by financial companies to a very limited extent. However, this message must not be misinterpreted. These tools do not seem to be important when it comes to new product success yet! But their use is increasing rapidly and soon we will be able to assess their real contribution to the launching of successful new retail financial products into the market. On the other hand, the non-significant impact of the use of a trained direct salesforce on performance denotes that while personal selling is undoubtedly a critical parameter of success, what really makes the difference is not the selling approach followed (direct vs branch-based), but rather the intensity of the selling effort (intensive selling is the number one performance discriminator).

## Conclusion

In the last decade, financial companies especially those operating in retail markets are facing intense competitive pressures caused by deregulation, technological advances and globalization. If these companies are to survive in such a turbulent business environment, they need to commercialize a steady flow of successful new products. This article was concerned with the impact on the performance of innovative and non-innovative new retail financial products of a number of factors relating to a particular aspect of the launching stage, namely marketing communications. Data were gathered on 100 NPD projects, 58 non-innovative and

**Table IX**

Classification results (U-method)

Actual group	No. of cases	Predicted group membership	
		(1) Unsuccessful	(2) Successful
Unsuccessful	46	35 76.1%	11 23.9%
Successful	54	12 22.2%	42 77.8%

Notes: Percentage of "grouped cases" correctly classified: 77.0%

42 innovative. An interesting result that emerged from our analysis is that the innovative and non-innovative products base their market introduction on a rather different marketing communications package. Their success path differs as well. The implications for managers are straightforward. Extra care must be paid to the marketing communications tools found to affect product performance in order to fully exploit company resources and ultimately increase the possibilities of succeeding in the retail financial market.

In concluding, notwithstanding the importance of the present results, the reader should be very cautious when interpreting them. More specifically, it should not be assumed that marketing communications alone influence the performance of new retail financial products. This study is a first attempt to approach the relationship between marketing communications and performance empirically, taking into account one strategic launch decision, that is the degree of product innovativeness. However, a highly actionable body of literature can be developed if future investigations extend this study, taking into consideration additional strategic variables, such as specific retail financial product categories or the level of market competition.

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### Notes

- 1 We thank the anonymous reviewer for pointing out the need for this clarification.
- 2 Despite the fact that the Likert-type measure does not claim to be more than an ordinal scale, it has, nevertheless, been accepted as a means of achieving interval measurement quality, and there are several arguments favoring a variety of positions on this issue (Labovitz, 1967; Kerlinger, 1973; Kim, 1978; Nunnally, 1978).
- 3 Additional data analysis revealed that almost 65 percent of these innovative products required the installation of a highly innovative software package.

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