

# Determinants of Competitor's Response Time to the New Product in the Market of Nepal

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## ABSTRACT

*This study is concerned with competitor's response time determinants to a new consumer product in Nepalese market. Products are in high competitive situation. New-to-the-world product is facing more competition complexities. Channels, market research, sales force and public opinions are the main source to get the market information of new products. Consultant's service is main helping hand to increase competitive strength. Financial and non-financial measures are applied to increase the competitive ability. Both qualitative and quantitative methods are in use to measure competitiveness of new products. The competitor's response time to most of the new products is less than six months after commercialization. Types of users are also in focus while developing the new products. Cut-throat competition is emerging in the market and firms are not able to defend fairly.*

IN TODAY'S GLOBALLY COMPETITIVE world, successful new product planning and development is a challenge to the industry. It is a creative function within a business organization. Modern concept of new product planning and development is the involvement of multi-disciplinary team from idea generation to commercialization. In Nepal, competition is increasing day by day. Many products of same use are available in the market. Product failure rate is also increasing. Many products are in sick situation. So the study is focused to know that "what are the determinants of competitor's response time to a new product in Nepalese market?"

## 1. Study Methods

The study has been based on descriptive (survey cum analytical) research design. Case study approach was followed on different consumer products. It is based on a field survey through questionnaire administration and personal interview. Sample products covered are 10 Soap, 8 Biscuit, 6 Noodles, 5 Cigarettes and 3 Cold Drinks. Thus total sample products are 32 from 18 different manufacturing units of Nepal.

Sources of information are mainly 18 line managers and 13 top-level management personnel. The line managers represent 32 new products and the top management represents 23 new products. All the tables are not presented but they are available with the writer.

## 2. Theoretical Framework

In many product markets, particularly where cut-throat competition exists, virtual wars are being fought. New products are being launched with the support of new campaigns and new brands promoted to capture a greater portion of the market share. Improvements are advertising, communications, deliveries, and after-sale-service, among others, are all an outcome of the new competitive market pressure (Majumdar 1993).

The marketing strategy literature suggests that the performance of a new entry (new brand, product, service, or firms) depends on: (1) the competitive environment facing the entry, (2) capabilities of the entrant and (3) the market entry strategy. The size of the market

of the brand is significant in determining the level of sales and it is the indicator of the long-term performance of the brand (Gatignon, Weitz and Bansal 1990).

In the current highly competitive market place, firms are under increasing pressure to develop new products and services that are timely and responsive to consumer needs (Olson, Walker and Ruekert 1995). Product development (or innovation) can contribute to a number of important business objectives. Four objectives are particularly well served by product development: first, building strategic competitive advantages in target markets; second increasing market share by offering products which are preferred above those of competitors; third, increasing profitability by introducing more profitable lines; fourth, building a reputation for technical excellence by introducing state-of-the-art products (Johne 1994). So market development including competition is also closely related with new product development.

Study of successful product development practice in American and British companies indicated that success results from proactive market interpretation, rather than form lamely following the suggestions of key customers (Johne and Snelson 1990).

Product development activities may be four types. They are routine, radical, extended and new style.

Routine product development is concerned with old product development mainly for an existing customer base. Guidance on how much updating on product is required comes routinely from feedback, from the external market in the form of representatives report and also internally from technical specialists responsible for applying the latest product technology. Products of the business may be regularly updated on the basis of R& D inputs.

Radical product development is concerned with the development of products with completely new attributes, predominantly for existing customer groups. Skillful attention to the internal and external market is necessary for the product success.

Extended product development is concerned with adding product lines, which will allow a business to compete in predominantly new target markets. Successful extended product development is focusing on likely market demand or success of product is measured in terms of market success.

New style product development is concerned with the development of radically new products for gaining access to new customer groups. Its aim is to reshape an existing market into a new one. Success is possible by skillful combination of process, offering and market development (Johne 1994).

Rapid changes in technology and market demand and among the factors that are increasing the pressure on firms to accelerate the product development cycle itself (Liberator & Stylianou 1995). Success in new product introduction can be critical for a firm to maintain its competitive position. However, a variety of difficulties and uncertainties are associated with the new product development process. Firms invest in R & D knowing that only a small percentage of promising product ideas will reach commercialization. About one in seven concepts that enter new product development process becomes a commercial success; about half of the resources that U.S. industry spends on new product development lead to failed or canceled products (Booz Allen & Hamilton 1982).

Dominant firms more than non-dominant firms perceive success in new product development as related to time-based competitive advantage-being first being fastest rather

than to product based competitive advantage (Stalk and Hout 1990). New-to-the world products generally face a more hospitable market environment than product modifications. New-to-the world products have little competition and potential customers have more reasonable expectations than for product modifications that are generally entering more mature markets and face more rigorous customer expectations (Choffray & Lilien 1984).

Listening to the voice of external and internal market can be done passively or actively. Passive listening involves reacting to market stimuli. Active listening involves seeking and checking information proactively from market stimuli. Building on these concepts allows one to speculate that "reactive" listening on the part of a supplier is best suited to routine product development while "proactive" listening is best suited to new style product development.

Skillful listening to external and internal market will allow a business to select and affect the type or types of product development which are best suited to meeting business objectives (Johne 1994).

Competitor response was found to be faster in markets characterized by higher growth rates. Growth markets are important, and competitors are likely to feel the need to take hasty action in response to a new entrant. These results are consistent with Robinson (1988), who found that market growth had an influence on the magnitude of reactions in the first and second year after entry by a start-up business.

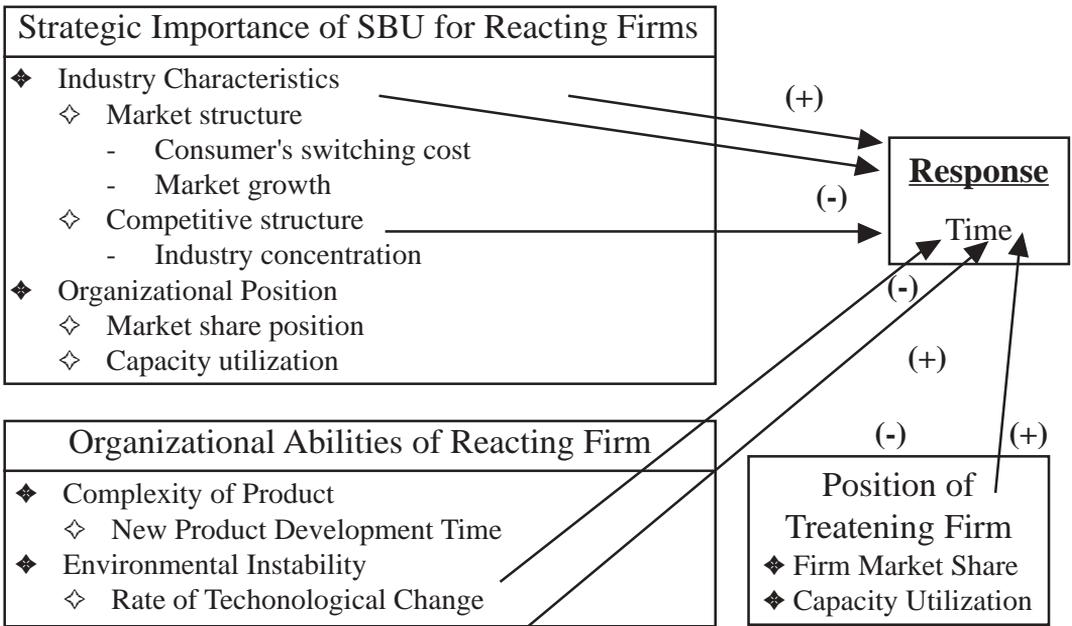
When competitor reaction eventually does occur in a growth market, it is likely to be much more aggressive. Robinson (1988) also found that reactions to entry in growth markets tend to be more aggressive. Combined with our results, this suggests that in growing markets competitor reaction to the introduction of a new product is likely to occur sooner, and the reaction will be much more intense.

In addition, given that market growth has a greater influence on the magnitude of reactions in the second year after entry than in the first (Robinson 1988); firms that introduce a new product into a growing market are advised to take advantage of this pattern in preparing a counter-response. In addition, a marginally more delayed response was found in markets characterized by the presence of high customer switching cost.

We examined the ability and desire of the introducing firm and reacting firm to take action and/or engage in more heated competition if necessary. Results indicate that more delayed response can be expected for the lower market share of the reacting firm and the higher market share of the introducing firm. Competitors who have a high market share tend to react more quickly. However, Robinson (1988) found that relative size had no influence on the intensity of an incumbent's reaction to a new firm's entry; that is; the intensity of the response was not influenced by relative size. Some large incumbents may respond and try to bully the entrant out of the market, and some fail to react. However, over study demonstrates that the size of the firm determines how fast it will respond if not how much.

Finally, we examined factors relating to ability of the reacting firm. Both the typical length of time acquired to develop a new product and the frequency of product changes explain the response time. The variables appear critical because they have the largest coefficient (the coefficient of new product development time is the largest of the standardized continuous variables, and the coefficient of the dummy variable for infrequent product changes is the largest of all the dummy variables).

Significant Predictors of Response Time



Source: Bowman & Gatignon, 1996, p.52.

4. Determinants of Competitor’s Response Time

Growing competition has made aware of the alternatives to the consumers who are in position to reject an inferior alternative. Many alternative products of same use are available in the market. If any new product is introduced in the market, the competitor begins to respond quickly. In this competitive pressure, the management should drive the new products by using proper tools and techniques. Thus, this section contains competitive position of new products, adequacy of financial resources to create competitive strategy, use of consultant to strengthen competitive ability, techniques used to increase competitive position, consideration of consumer needs, objectives of product development, consumers group, measurement of product success and competitiveness, response time of competitor, complexity of competition for new products and evaluation of competitors reaction.

4.1 Perception of Top Level Management

Most of the consumer product industries (69.57%) have adequate financial resources for creating the competitive strategy of new product. But 52.18% (12 responses out of 23) feel that, competitor's product is the market leader, but 47.82% (11 respondents out of 23) feel that their own new product is the market leader. Sources used to get market information of new product are: (a) Channel of distribution (b) Task force (c) Market evaluation (research) (d) Field data (e) Consultant (f) Agency (g) Sales department (h) Salesman (i) Consumer behavior (j) Public opinion and (k) Media/ wholesaler.

**Table 1: Types of New Product Development Facing More Problems of Competition**

S.No.	New Products	Response	Percent
1.	New to the world product	16	67.57
2.	Addition of new product line	7	30.43
3.	Product modification	-	0.00
Total		23	100.00

Table 1 shows that new to the world product development is facing more problem than addition of new product line and product modification. Most of the consumer product industries (86.96%) have evaluation practice of competitor's reaction of new product. Similarly, industries (60.87%) are using consultant to increase competitive strength of new product in the market. Consumer product industries (73.91%) have training and development program to new product sales force.

Strategies formulated to increase ability of competition were:

(a) Low price, high promotion (b) Mark-up pricing strategy (c) Manufacturing quality product (d) Effective promotional strategy (e) Widening distribution channel (f) Providing better product service to our customer (g) Better distribution (h) Competitive price (i) Just in time supply to retailers (j) Price reduction (k) Test improvement (l) Consumer scheme (m) Special bonus given to stockist/retailers (n) Credit facility (o) Supervision (p) Product diversification (q) Penetration into rural market (r) Availability of product (s) Create value in the mind of customer (t) Pride in Nepal (u) Convenience (v) Trained sales force (w) Proper distribution (x) Educate channel, etc.

#### **4.2 Opinion of Line Manager**

The consumer product industries are under increasing pressure to develop new product and services according to the consumer needs because the weighted mean value of every product is higher than the average level. The response percentages on agree & strongly agree alternate is also high i.e. 96.87% (19 + 12 response out of 32).

**Table 2: Competitor's Reaction Regarding the Growing Market of New Product**

S. N.	Product Group	Scale				Total	Weighted Mean Value	Rank
		Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4			
1	Soap	- (0)	- (0)	8 (80)	2 (20)	10 (100)	3.20	4
2.	Biscuit	- (0)	- (0)	3 (37.50)	5 (62.50)	8 (100)	3.62	1
3.	Noodles	- (0)	- (0)	6 (100)	- (0)	6 (100)	3.00	5
4.	Cigarette	- (0)	- (0)	3 (60)	2 (40)	5 (100)	3.40	2
5.	Cold Drink	- (0)	- (0)	2 (66.67)	1 (33.33)	3 (100)	3.33	3
Total		- (0)	- (0)	22 (68.75)	10 (31.25)	32 (100)		

Table 2 reveals that the respondents of all consumer product industries agree that competitors comes aggressively in growing market of new product and delay reaction of competitor on lower market share, because the mean value of all products is seen above the average level.

All the consumer product industries measure the new product success in terms of market success, because the mean value of all products is seen above the average level. Similarly, all the sample product industries accept that efficiency, differentiation, proprietariness and flexibility are main factors affecting organizational competitiveness, because the mean value of all products is seen above the average level.

The consumer product industries use both quantitative as well as qualitative method to measure the competitiveness of new product. But more response 55.31% (26 responses out of 47) is seen in qualitative method used to measure the competitiveness of new product. Similarly, market segment and repositioning for competition of new product is considered in sampled consumer product industries of Nepal, because mean value of both points is above the average level.

Table 3 shows that most of the competitors of consumer products begin to respond 0-3 months and 3-6 months from commercialization of new product. It proves that competitor of new product begins to respond soon.

**Table 3: Competitor's Response Time to a New Product**

S.N.	Time Duration	Soap	Biscuit	Noodles	Cigarette	Cold Drink	Total
a.	0-3 months of commercialization	5 (50)	2 (25)	2 (33.33)	5 (100)	3 (100)	17 (53.12)
b.	3-6 months of commercialization	5 (50)	3 (37.50)	4 (66.67)	- (0)	- (0)	12 (37.50)
c.	6-12 months of commercialization	- (0)	3 (100)	- (0)	- (0)	- (0)	3 (100)
d.	12 & above months of commercialization	- (0)	- (0)	- (0)	- (0)	- (0)	- (0)
Total		10 (100)	8 (100)	6 (100)	5 (100)	3 (100)	32 (100)

Existing user, potential user and new user are mainly focused while developing the new product in the industries of Nepal. Radical product development for existing customer (30.43%) and extended product development for new target market (34.78%) is seen mainly used in consumer product industries of Nepal.

Competition is complex to completely new product in soap industry. But competition is complex to modification product in biscuit industry. Competition is complex to completely new product and addition of new product line in noodles industry. But it is complex on completely new product and modification product in cigarette and cold drink industries of Nepal.

**5. Results**

1 Industries consider the reaction of consumers and competitors on new product. Competitive situation of new products in the market is high. Most of the marketing manag-

ers surveyed perceive their competitors are market leaders.

- 2 New-to-the-world product development is facing more problem of competition. Most of the industries have evaluation practice of competitor's reaction towards new products. Main sources used to get market information of new products are: channels of distribution, sales force, market research, consultants, sales department, consumer behavior, public opinions etc.
- 3 Companies have training and development program for new product sales force and are getting adequate financial resources to create the competitive strategy of the new products. Industries, in general, use consultants to increase competitive strength of new products in the market. The strategy followed to increase the ability of competition are: low price, high promotion, production of quality product, effective promotional strategy, wide distribution channel, providing better product to the consumer, competitive price, supply to retailers just in time, scheme use, supervision, trained sales force etc.
- 4 Marketing managers agree that the pressure to develop new product and service according to the consumer needs is increasing. Companies use both qualitative and quantitative methods to measure the competitiveness of new product. They measure the new product success in terms of market success. Competition is complex to completely new product and modification product in many manufacturing units.
- 5 Most of the competitors begin to respond within 0 to 3 months and some respond within 3 to 6 months of commercialization of new products in the market. Marketing managers agree that competitors come aggressively in the growing new product market and delay reaction of competitor on lower market share. The respondents accept that efficiency, differentiation, proprietariness and flexibility are the main factors effecting organizational competitiveness. Marketing managers are found to consider market segment and repositioning for competition of new products.
- 6 Existing user, potential user and new user are mainly in focus while developing the new products. Radical (new) product development for existing customer and extended product development for new target market are the main product development related activities in the consumer product industries. Competition is complex on completely new product and modification products.

### 6. Conclusion and Implications

- 1 Competitive situation of all new products is high in the market. Reaction of consumers and competitors towards the new products is considered by the firms. Especially, new to the world product is facing more competition complexities in the market. Channel of distribution, market research, sales force and public opinions are the main source to get the market information of new products. Financial resources are adequate to create competitive strategy. Consultant's service is the main helping hand to increase the competitive strength. Financial and non- financial measures are applied to increase the ability of competition. The new products are developed according to the consumer's needs and their pressure.
- 2 Quantitative and qualitative both methods are in use to measure competitiveness of new products. Market success is the main measuring rod of new product success. Com-

pletely new products and modification products are facing high competition in the market. The competitor's response time to most of the new products is less than 6 months after commercialization. Competitors come aggressively in the growing market than in the lower market share segment. Market segmentation and repositioning is considered as important aspects for competition. Types of user are also in focus while developing the new products. Cut-throat competition is emerging in the market, and the firms are not able to defend fairly.

- 3 Marketing managers should be careful on competitor's response time to a new product. It is necessary to have evaluation practice of competitor's reaction to new product. Increased use of consultants will be helpful to increase the competitive strength of new product.
- 4 New product sales force should be well trained and developed. Market segment and repositioning consideration level should be increased for effective competition. Management should try to remove the competitive gap of new products.

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