Over the last several years, rapid innovation in the retail industry and a soft economy have driven significant changes in consumer behavior. Consumers with less time and money, but more options, are raising the bar. The impact of these growing expectations on retail marketing and merchandising teams is clear – marketers are engaged in a constant battle to attract and retain customers while merchants are building compelling product assortments to drive traffic to stores and websites. Less obvious, though probably more significant, is the impact on the product development function. Behind the scenes, increasing consumer demands force product development teams to work faster and more efficiently, while dealing with more complexity.

Here are the seven major trends that drive the pressure on product development, and how those teams are impacted.

**Trend #1: More and More Product**

Without the constraints of shelf or floor space, digital channels provide the opportunity for expanded assortments. Leading retailers have found ways to optimize inventory management while at the same time presenting the customer with a myriad of product choices. As a result, customers today assume they will find more product in digital channels than they see in brick and mortar stores. They expect more variety, extended sizes, additional flavors and online exclusive products. For the product development team, creating more SKUs in the same timeframe requires them to work both smarter and harder.

**Trend #2: Continuous Innovation**
Leading companies continuously develop products that meet ever-changing customer needs. For example, with each new product release, mobile phones get smaller and sleeker while adding new functionality. New materials are constantly developed to improve the performance of athletic shoes. New and more nutritious snack bars are launched every year. Consumers have grown to expect this constant introduction of new and innovative products. On top of the consumer pressures, the best products are also quickly copied, making any competitive advantage short lived. Retailers must continuously innovate and develop new products to set themselves apart. Product development teams shoulder much of this burden as the need for constant innovation adds significant complexity to their job.

Trend #3: Need for Speed

Information is available from multiple sources and across multiple mediums, almost instantaneously. With the explosion of digital channels, consumers also have the ability to shop anytime from anywhere – which means they can react quickly. In this dynamic and rapidly changing consumer environment, retailers must move fast to respond to new trends. In apparel, the styling of gowns worn at the widely broadcasted Hollywood awards shows in January and February is expected to be reflected in stores in time for the spring formal season. Product development teams must quickly identify these product opportunities, and have the capability to get them to market in a very accelerated timeframe.

Trend #4: Value for the Money

Faced with less money and more options, most customers have become savvy shoppers. When it comes to products, they ask for more – better designs, higher quality, more features – but are willing to pay less. Digital channels also make it easy for customers to research several options and compare prices before making a purchase. While they may not always be looking for the cheapest option, consumers are looking for the best value. In addition to building better and more innovative products, the product development team must also tighten their belts and find ways to build the best product at the lowest possible price.

Trend #5: Liberation of Design

The boom of readily available information, combined with mechanisms for customers to easily provide immediate feedback to companies, has fueled a shift in control over new product development from a small group of highly esteemed designers to the broader masses. Consumers want and expect to play a bigger role in the design of the products that they buy and use. Many companies now give their customers the opportunity to customize their products to meet their own needs, allow customers to “vote” on the best design, or provide feedback on what they would pay. As a result, amongst all of the other challenges they are faced with, product development teams must also find a way to incorporate the consumer into the process.

Trend #6: Sustainability and Social Responsibility

Today, consumers pay closer attention to the sustainability and social responsibility practices of the retailers they shop and the brands they buy. Recent research shows that consumers’ wallets follow their values. Product development teams must produce products that are better for both people and the environment. This involves not just designing sustainable products, but also considering sustainability and social responsibility during sourcing and manufacturing. While many agree that this is the right thing to do, it adds complexity to the overall product development process.
Trend #7: Localized Assortments

A ‘one size fits all’ approach for product assortments does not meet the needs of today’s shopper. Maintaining market share requires tailoring product offerings to local market tastes. Grocers win market share one neighborhood at a time with specialized food products and produce assortments on a store by store basis, while apparel retailers tailor color selections, sizing and even styling based on local market demand. For product development, that means gathering customer insights for multiple unique markets, developing the right products for those markets, and having the bandwidth to develop more products than they have in the past.

These seven trends make the job of the product development team more of a challenge than it has ever been. Enabling teams to address them is imperative.

Does your product development organization have the necessary skills? The most efficient processes? The right tools and technology? Take some time to determine where your company is today, and where you want to be in the future. Then, make the investment to ensure you get there.

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