



# DEVELOPING NEW PRODUCT

---



# Identifying Opportunities

---

Business ideas & opportunities come from a wide variety of sources. These include **internal** & **external** sources.

# Internal sources for Identifying Opportunities



---

- Those working from within the business may come up with new ideas.
- New ideas may come from employee suggestions or meetings with the sales-force
- Complaints about existing products may lead to new improved ones
- Research & development
- Product churning – trying out new products on the market to see which one sells
- Brain Storming – this is a method used for generating ideas where a group gets together and tries to come up with as many ideas as possible.

# External Sources for Identifying Opportunities



---

- New ideas can also come from external sources like suggestions from customers for product improvement
- A large number of ideas on products come from abroad. People who travel are able to see different products which are not available in the country
- By keeping an eye on what your competitors are producing or developing.
- Always being conscious of what changes in fashions & tastes are.
- Companies can also try to adapt their existing products & see if the consumers likes it.



# New Products

---

What are new products?

- New product line
- Addition to product line
- Repositioning to new market segments
- Improvements/revisions
- Cost reductions



# New Product development process

---

The steps involved in converting an idea into a saleable commodity are called the *new product development process*.

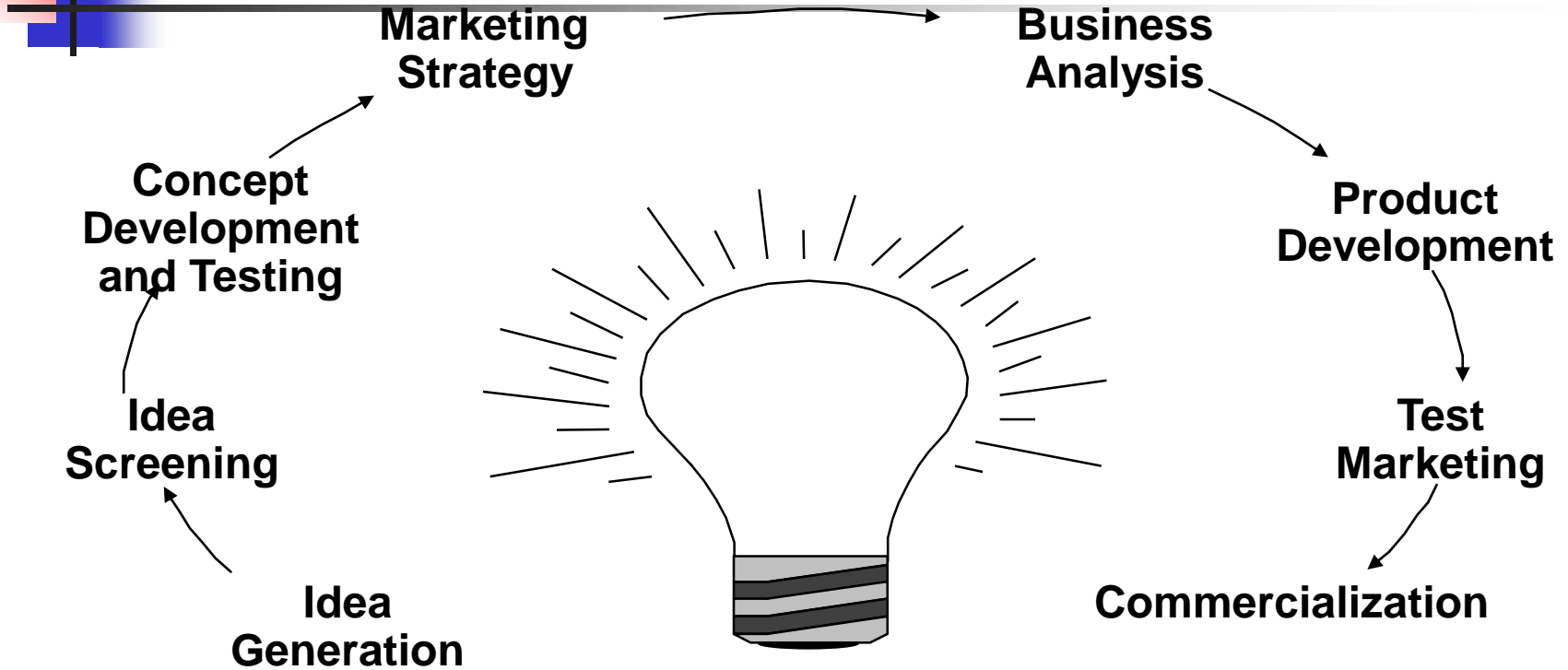


# Major Stages in New-Product Development

---

- Idea generation
- Idea screening
- Concept development and testing
- Marketing strategy development
- Business analysis
- Product development
- Test marketing
- Commercialization

# New Product Development Process







# Idea Generation

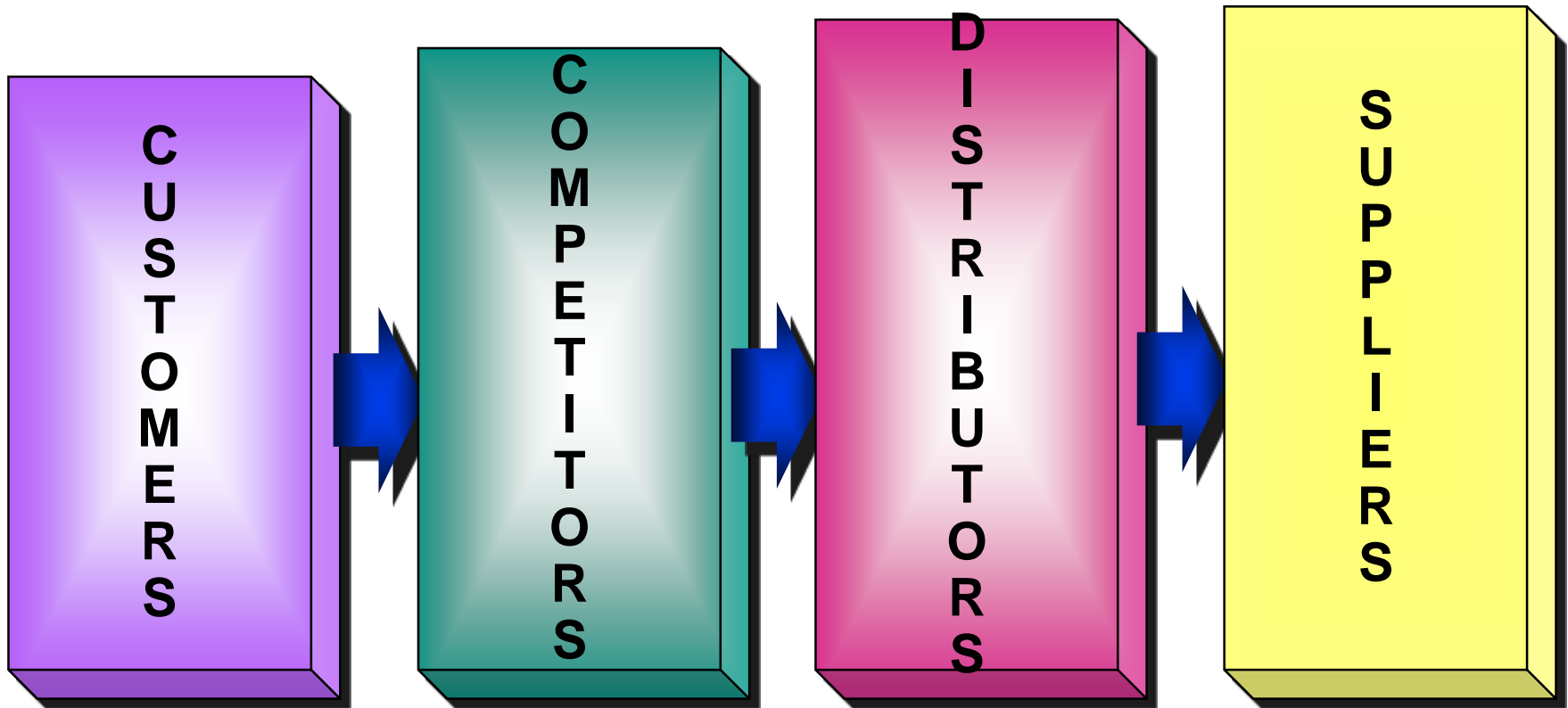
---

- Internal sources:
  - Company employees at all levels
- External sources:
  - Customers
  - Competitors
  - Distributors
  - Suppliers
  - Outsourcing

# ***New Product Development Process***

## ***Step 1. Idea Generation***

**Idea Generation is the Systematic Search for New Product Ideas Obtained Internally and From:**





# Idea Screening

---

- Process used to spot good ideas and drop poor ones.
  - Executives provide a description of the product along with estimates of market size, product price, development time and costs, manufacturing costs, and rate of return.
  - Evaluated against a set of company criteria for new products.

# *New Product Development Process*

## *Step 2. Idea Screening*

- Process to spot good ideas and drop poor ones as soon as possible.
- Many companies have systems for rating and screening ideas which estimate:
  - Market Size
  - Product Price
  - Development Time & Costs
  - Manufacturing Costs
  - Rate of Return
- Then, the idea is evaluated against a set of general company criteria.



# Concept Development and Testing

---

- **Product Idea:**
  - idea for a possible product that the company can see itself offering.
- **Product Concept:**
  - detailed version of the idea stated in meaningful consumer terms.
- **Product Image:**
  - the way consumers perceive an actual or potential product.

# ***New Product Development Process***

## ***Step 3. Concept Development & Testing***

**1. Develop Product Ideas into  
Alternative  
Product Concepts**

**2. Concept Testing - Test the  
Product Concepts with Groups  
of Target Customers**

**3. Choose the Best One**

# New Product Development Process

## Step 3. Concept Development

1. Develop New **Product Ideas** into Alternative Detailed **Product Concepts**

**Product Image** is the Way Consumers Perceive an Actual or Potential Product

2. **Concept Testing** - Test the New Product Concepts with Groups of Target Customers

3. Choose the One That Has the Strongest Appeal to Target Customers



# Marketing Strategy Development

---

- Part One:

- Describes the target market, planned product positions, sales, market share, and profit goals.

- Part Two:

- Outlines the product's planned price, distribution, and marketing budget.

- Part Three:

- Describes the long-run sales and profit goals, marketing mix strategy.



# ***New Product Development Process***

## ***Step 4. Marketing Strategy Development***

### **Marketing Strategy Statement Formulation**

**Part One Describes Overall:**  
Target Market  
Planned Product Positioning  
Sales & Profit Goals  
Market Share

**Part Two Describes Short-Term:**  
Product's Planned Price  
Distribution  
Marketing Budget

**Part Three Describes Long-Term:**  
Sales & Profit Goals  
Marketing Mix Strategy



# Business Analysis

---

- Involves a review of the sales, costs, and profit projections to assess fit with company objectives.
- If results are positive, project moves to the product development phase.

# ***New Product Development Process***

## ***Step 5. Business Analysis***

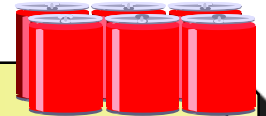
### ***Step 6. Product Development***

#### **Business Analysis**

**Review of Product Sales, Costs,  
and Profits Projections to See if  
They Meet Company Objectives**

**If No, Eliminate  
Product Concept**

**If Yes, Move to  
Product Development**





# Product Development

---

- Develop concept into physical product.
- Calls for large jump in investment.
- Prototypes are made.
- Prototype must have correct physical features and convey psychological characteristics.



# Test Marketing

---

- Product and program introduced in more realistic market setting.
- Not needed for all products.
- Can be expensive and time consuming, but better than making major marketing mistake.

# ***New Product Development Process***

## ***Step 7. Test Marketing***

### **Standard Test Market**

Full marketing campaign  
in a small number of  
representative cities.

### **Controlled Test Market**

A few stores that have  
agreed to carry new  
products for a fee.

### **Simulated Test Market**

Test in a simulated  
shopping environment  
to a sample of  
consumers.



# Commercialization

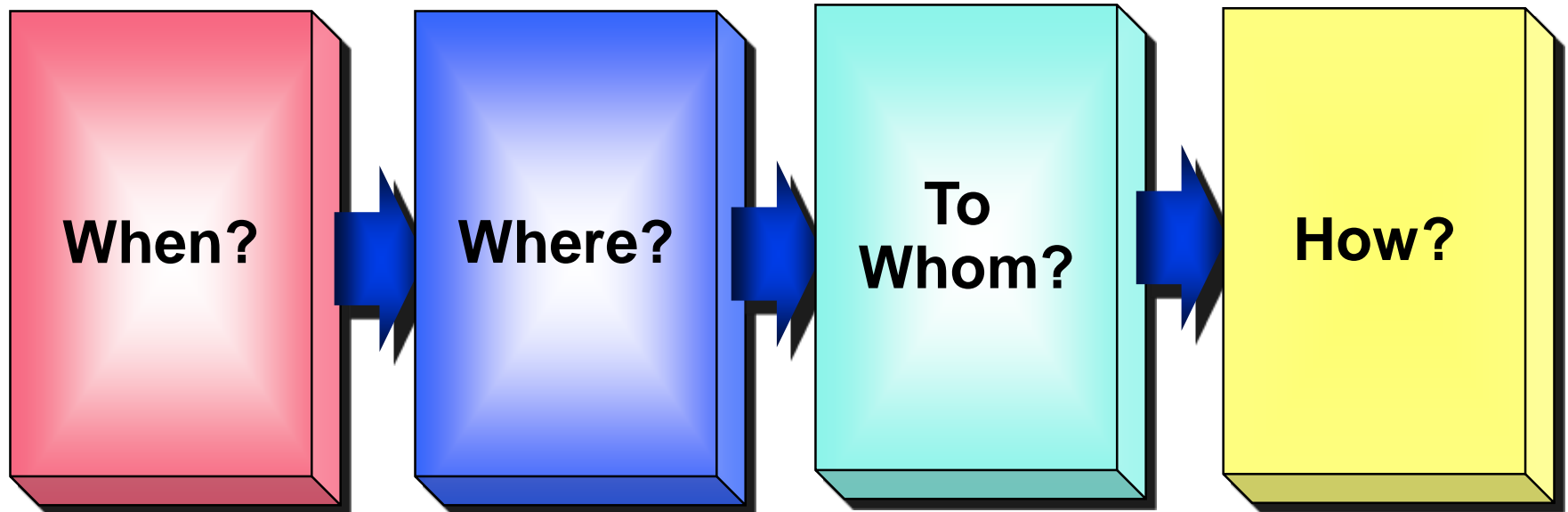
---

- Must decide on *timing* (i.e., when to introduce the product).
- Must decide on *where* to introduce the product (e.g., single location, state, region, nationally, internationally).
- Must develop a *market rollout* plan.

# *New Product Development Process*

## *Step 8. Commercialization*

**Commercialization is the Introduction of the New Product into the Marketplace.**







# Organizing New-Product Development

---

- Sequential Approach:
  - Each stage completed before moving to next phase of the project.
  
- Simultaneous Approach:
  - Cross-functional teams work through overlapping steps to save time and increase effectiveness.

# Speeding Up Development

*Sequential*

**Step 1**

**Step 2**

**Step 3**

**Step 4**

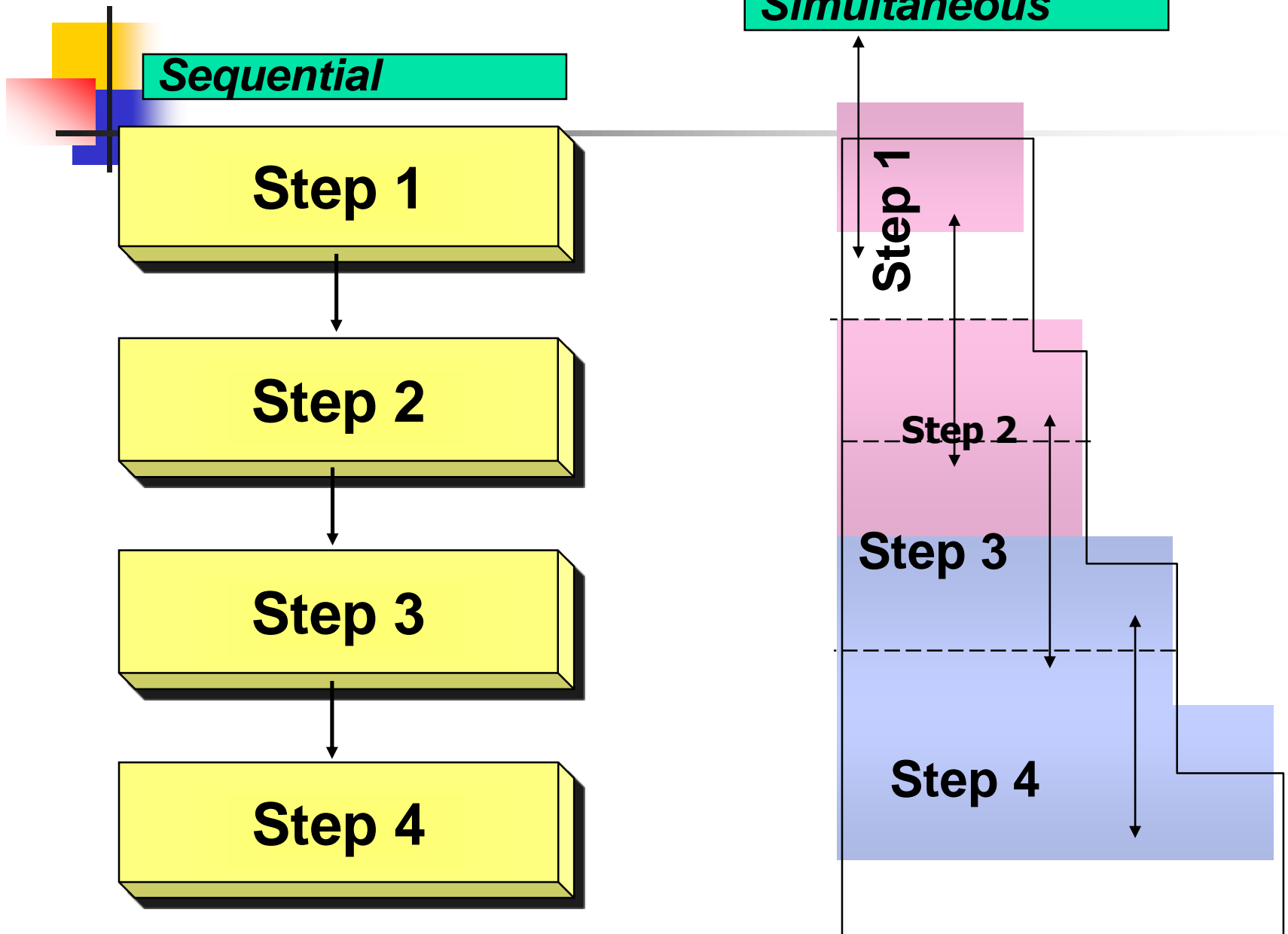
*Simultaneous*

**Step 1**

**Step 2**

**Step 3**

**Step 4**





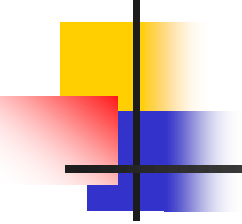
# New-Product Failures

---

- Only 10% of new consumer products are still on the market and profitable after 3 years.
- Industrial products failure rate as high as 30%.
- Why do products fail?
  - Overestimation of market size
  - Design problems
  - Incorrectly positioned, priced, or advertised
  - Pushed despite poor marketing research findings
  - Development costs
  - Competition

# Causes of New Product Failures

---

- 
- Overestimation of Market Size
  - Product Design Problems
  - Product Incorrectly Positioned, Priced or Advertised
  - Costs of Product Development
  - Competitive Actions
  
  - To create successful new products, the company must:
    - understand it's customers, markets and competitors
    - develop products that deliver superior value to customers.

# Challenges in New Product Development



---

- Failure occurs frequently
  - Studies have shown that 40%-45% of NPD projects introduced to the market fail
- Inefficiencies are pervasive\*
  - Only 59% of products intro'ed were successful
  - Only 6.6 new product ideas lead to 1 success
  - More innovative projects took 23.8 mos.
- Very expensive
  - Tens of \$millions to several \$billions

\*

# Stages in the Adoption Process



---

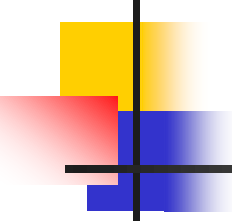
1. *Awareness:* Consumer becomes aware of the new product, but lacks information about it.
2. *Interest:* Consumer seeks information about new product.
3. *Evaluation:* Consumer considers whether trying the new product makes sense.
4. *Trial:* Consumer tries new product on a small scale to improve his or her estimate of its value.
5. *Adoption:* Consumer decides to make full and regular use of the new product.

# The Consumer Adoption Process



---

- **Adoption process:** Stages that consumers go through in learning about a new product, trying it, and deciding whether to purchase it again.
  - Awareness
  - Interest
  - Evaluation
  - Trial
  - Adoption or rejection

- 
- 
- **Consumer innovator:** People who purchase new products almost as soon as the products reach the market
  - **Diffusion process:** Process by which new goods or services are accepted in the marketplace



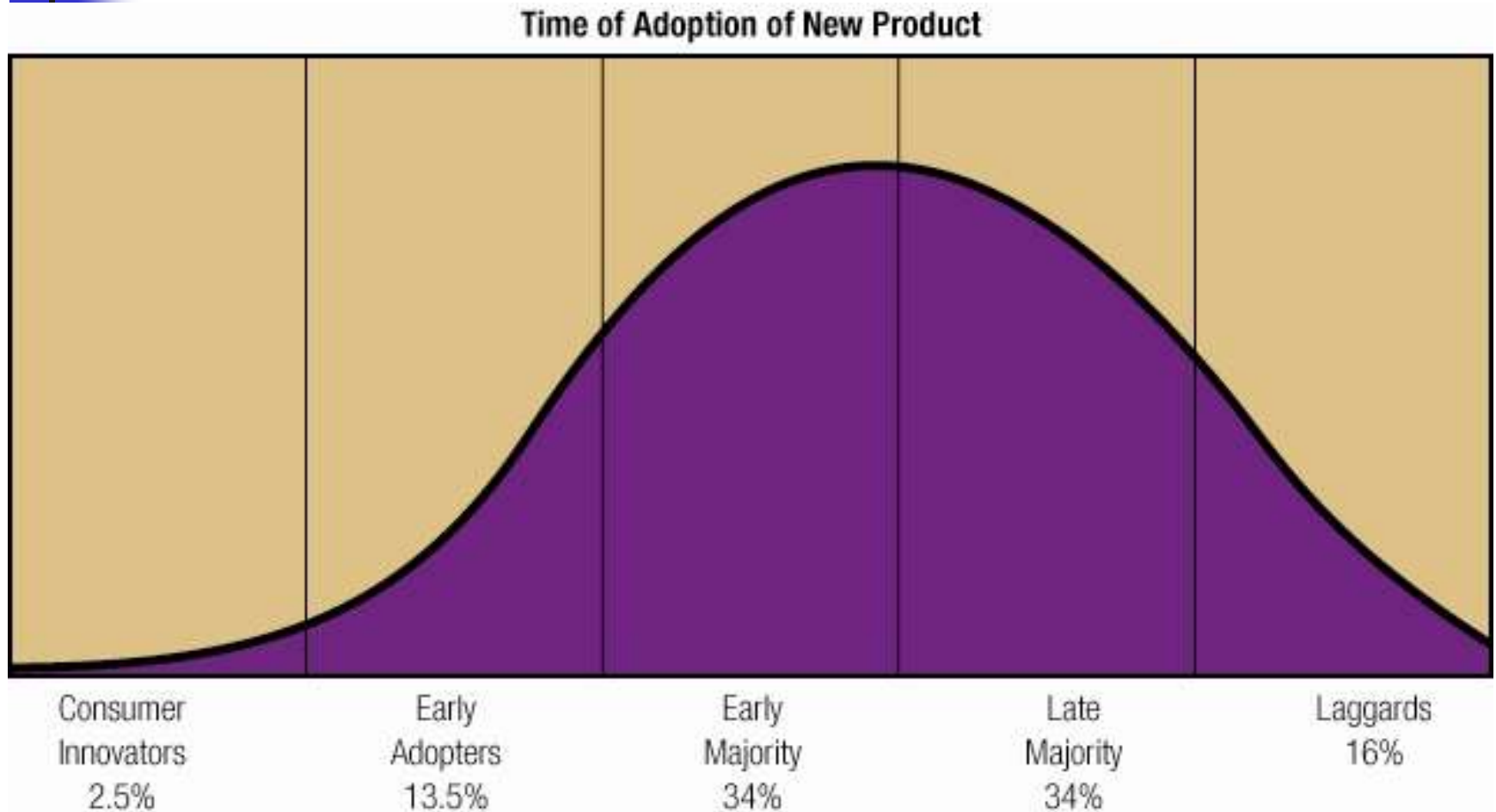


# Product Adopter Categories

---

- Innovators
- Early adopters
- Early majority
- Late majority
- Laggards

- Categories of Adopters Based on Relative Times of Adoption





# Product Characteristics That Influence the Rate of Adoption

---

- *Relative Advantage:* Is the innovation superior to existing products?
- *Compatibility:* Does the innovation fit the values and experience of the target market?
- *Complexity:* Is the innovation difficult to understand or use?
- *Divisibility:* Can the innovation be used on a limited basis?
- *Communicability:* Can results be easily observed or described to others?

# Market Evolution at Introduction:

Technological breakthrough starts altogether new life cycle

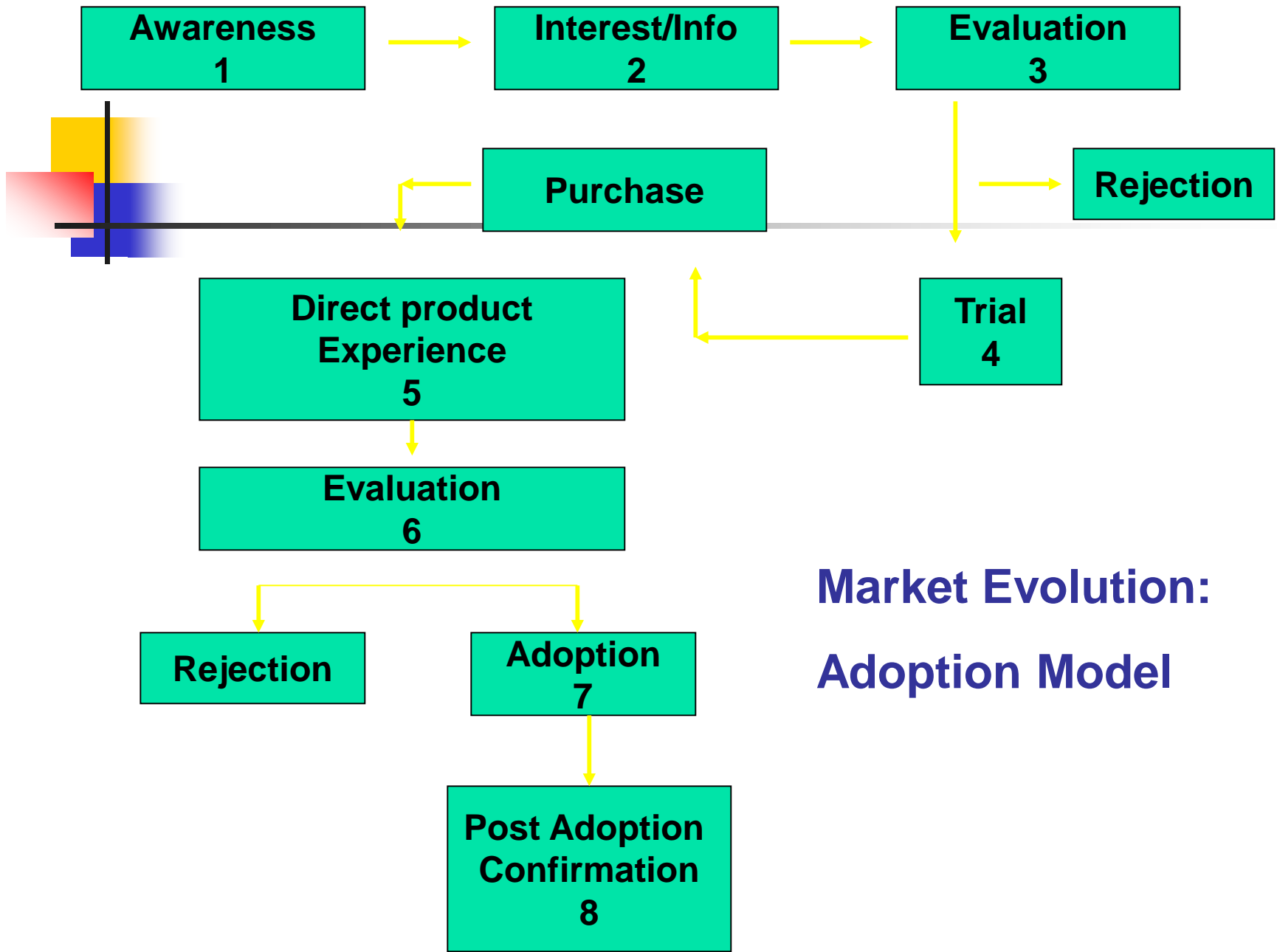


**When these products were introduced newly it was difficult to assess the market reaction.**

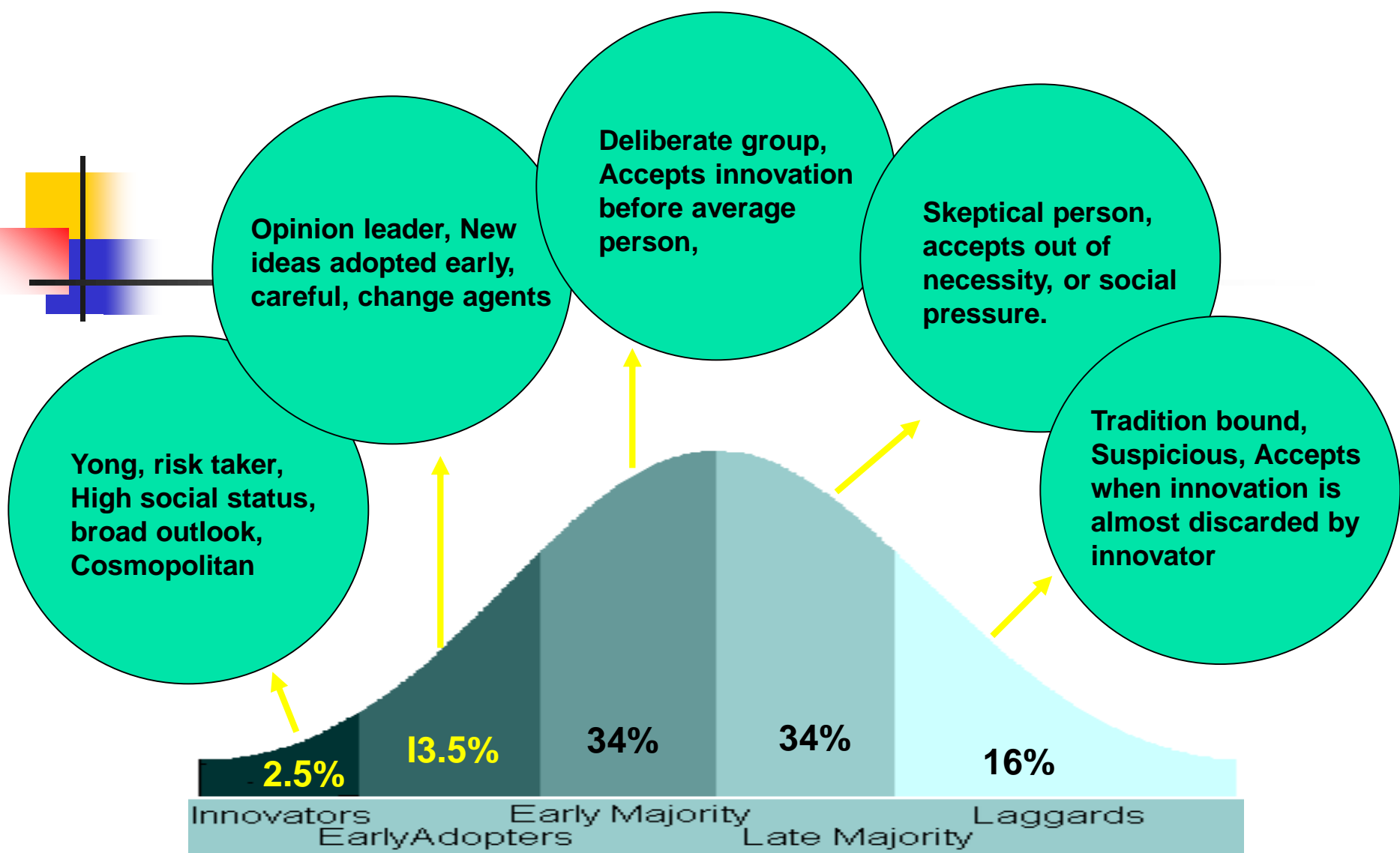
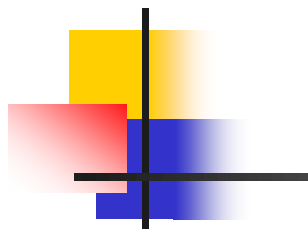
**Product may or may not fulfill the expectation of the buyer.**

**No experience of the consumers to vouch for the product's benefit.**

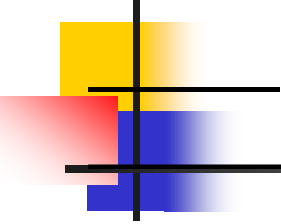
**At this stage the market evolves on the basis of the rate of diffusion and adoption of the new product.**



## Market Evolution: Adoption Model



# Characteristics of innovation Affecting Adoption Role:



**Relative advantage:** this is the degree to which the new product scores over the old ideas, May be lower cost, quality, speed. The greater the advantage the faster the adoption. Fax over traditional method like mailing or courier.

---

**Compatibility:** this is the degree to which the new product lives up to the cultural values & experience of the prospect. (Wet shave to dry shave, Philips & Braun.)

---

**Complexity:** this is the degree to which the new product is difficult to use also determines the adoption role. Sophisticated camera, Computer etc.

---

**Divisibility / trialability :** this is the degree to which the new product can be tried in a limited manner. (Heir purchase increased the Purchase & use of AC. New seeds or fertilizer can be tried in smaller lot)

---

**Observability:** this is the degree to which the result of the use of a new product can be observed.



## **Diffusion:**

---

**Rogers has defined a diffusion as the spread of an innovation in the mass of ultimate users or adopters. Diffusion starts from the source of invention or creation and ends with the users or adopters.**





---

Thank you for your attention!

*Any questions please?*