SUBJECT – MARKETING MANAGEMENT
UNIT II – PRODUCT AND PRICING DECISIONS (PART – III)

NEW PRODUCT DEVELOPMENT

New Product Development Framework

1. Fuzzy Front-End (FFE)

- **FFE** is the set of activities employed before the formal and well defined requirements specification is completed.
- Requirements are a high-level view of *what* the product should do to meet the perceived market or business need.

2. Product Design

- Product design is the development of both the high-level and detailed-level design of the product, which turns the *what* of the requirements into a specific *how* this particular product will meet those requirements.
- On the marketing and planning side, this phase ends at pre-commercialization analysis stage.

3. Product Implementation

- Product implementation is the phase of detailed engineering design of mechanical or electrical hardware, or the software engineering of software or embedded software, or design of soft goods or other product forms, as well as of any test process that may be used to validate that the prototype objects actually meet the design specification and the requirements specification that was previously agreed to.

4. Fuzzy Back-End or Commercialization

- This phase represents the action steps where the production and market launch occur.

Steps of New Product Development

1. Idea Generation

The development of a product will start with the concept.

Idea generation is the continuous and systematic quest for new product opportunities, including updating or changing an existing product.

The rest of the process will ensure that ideas are tested for their viability, so in the beginning all ideas are good ideas (To a certain extent!)

Ideas can, and will come, from many different directions.

The best place to start is with a SWOT analysis, (Strengths, Weaknesses, Opportunities and Threats), which incorporates current market trends.

This can be used to analyse your company's position and find a direction that is in line with your business strategy.

In addition to this business-centred activity, are methods that focus on the customer's needs and wants. This could be:

- Under-taking market research
- Listening to suggestions from your target audience – including feedback on your current products' strengths and weaknesses.
- Encouraging suggestions from employees and partners
- Looking at your competitor's successes and failures

2. Idea Screening

This step is crucial to ensure that unsuitable ideas, for whatever reason, are rejected as soon as possible.

Ideas need to be considered objectively, ideally by a group or committee.

Specific screening criteria need to be set for this stage, looking at ROI, affordability and market potential.

These questions need to be considered carefully, to avoid product failure after considerable investment down the line.

3. Concept Development & Testing

Concept development and testing is vital.

The internal, objective analysis of step two is replaced by customer opinion in this stage. The idea, or product concept at this point, must be tested on a true customer base. The testers' reactions can then be leveraged to adjust and further develop the concept according to the feedback.

This stage gives you a chance to develop the concept further, considering their feedback, but also to start thinking about what your marketing message will be.

4. Business Analysis

Once the concept has been tested and finalised, a business case needs to be put together to assess whether the new product/service will be profitable.

This should include a detailed marketing strategy, highlighting the target market, product positioning and the marketing mix that will be used.

This analysis needs to include: whether there is a demand for the product, a full appraisal of the costs, competition and identification of a break-even point.

Market strategy/business analysis is comprised of four P's, which are product, price, promotion and placement.

Product: The service or good that's been designed to satisfy the demand of a target audience.

Price: Pricing decisions affect everything; profit margins, supply and demand, and market strategy.

Promotion: The goals of promotion are to present the product to the target audience, increasing demand by doing so, and to illustrate the value of the product. Promotion includes advertisements, public relations and marketing campaigns.

Placement: The transaction may not occur on the web, but in today's digital economy, the customer is generally engaged and converted on the internet.

5. Feasibility Analysis/Study

Feasibility analysis/study yields information that is critical to the product's success.

It entails organizing private groups that will test a beta version, or prototype, of the product, then evaluate the experience in a test panel.

This feedback communicates the target market's level of interest and desired product features, as well as determines whether the product in development has the potential to be profitable, attainable and viable for the company, while satisfying a real demand from the target market.

6. Product Development

Product technical design/Product development integrates the results of the feasibility analyses and feedback from beta tests from stage five into the product.

This stage consists of turning that prototype or concept into a workable market offering; ironing out the technicalities of the product; and alerting and organizing the departments involved with the product launch, such as research and development, finance, marketing, production or operations.

If the new product is approved, it will be passed to the technical and marketing development stage.

This is when a prototype or a limited production model will be created.

This means you can investigate exact design & specifications and any manufacturing methods, but also gives something tangible for consumer testing, for feedback on specifics like look, feel and packaging for example.

7. Test Marketing

Test marketing (or market testing) is different to concept or consumer testing, in that it introduces the prototype product following the proposed marketing plan as whole rather than individual elements.

This process is required to validate the whole concept and is used for further refinement of all elements, from product to marketing message.

Test marketing, or market testing differs from concept or beta testing in that the prototype product and whole proposed marketing plan, not individual segments, are evaluated.

The goal of this stage is to validate the entire concept -- from marketing angle and message to packaging to advertising to distribution. By testing the entire package before launch, the company can vet the reception of the product before a full go-to-market investment is made.

8. Commercialisation

Market entry/commercialization is the stage in which the product is introduced to the target market.

All the data obtained throughout the previous seven stages of this approach are used to produce, market and distribute the final product to and through the appropriate channels.

9. Launch

A detailed launch plan is needed for this stage to run smoothly and to have maximum impact.

It should include decisions surrounding when and where to launch to target your primary consumer group.

 Finally in order to learn from any mistakes made, a review of the market performance is needed to access the success of the project.

New product development can be made much simpler and focused, with a higher likelihood of success, by following these steps to guide you.