

MARKETING MANAGEMENT

UNIT-2

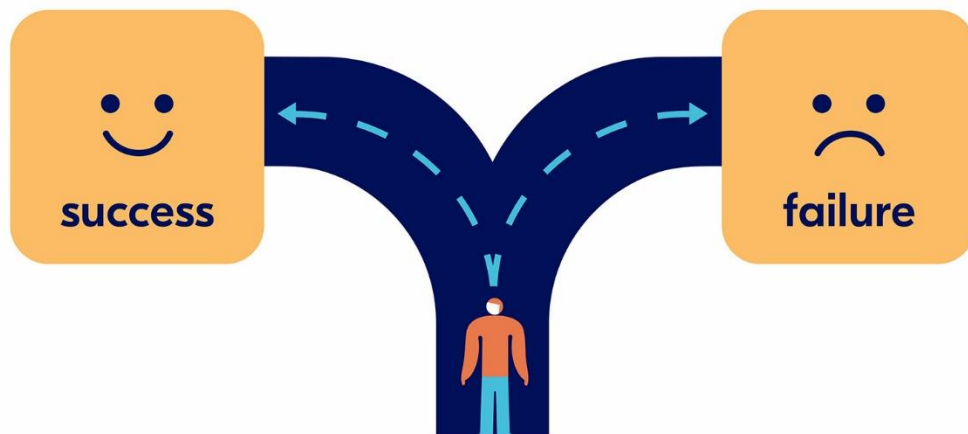
PART-VII

NEW PRODUCT DEVELOPMENT

Regular product development processes work on the basis that your idea has passed through some kind of Proof of Concept. On the other hand, new product development starts from the very beginning by creating a screening process.

Let's look at the benefits of using the new product development process, a breakdown of each stage, some examples, and how different departments like design and engineering can best utilize it.

Benefits of the new product development process



According to Mckinsey global institute data, only 1 out of 7 ideas result in a successful product, and the failure rates for newly launched products are between 25%-45%. Using a structured approach, you'll stand a greater chance of avoiding any pitfalls resulting in your new product's failure.

Choosing where to spend your company's valuable time and resources will be critical to your success. The ability to screen new products and services before wasting resources could be the difference between the nail in the coffin of your career (or business) or a wildly successful product launch.

Here are some of the main advantages you'll gain from using the new product development process.

- ✚ Create an innovative culture – new products require new ideas. Creating a culture of innovation, where every idea will be heard and tested no matter their role and seniority, will help your business source new ideas.
- ✚ Keep pace with your consumers – your consumers' habits are continually changing due to volatile economies and many other reasons. The new product development process allows you to keep base with your consumers and ensure your product is still relevant.
- ✚ Discover new opportunities – by focusing on your customer's needs and not your shareholders, you're able to uncover new opportunities and further your business's growth and development.
- ✚ Drive higher value proposition – design products that better match the needs of your consumers.
- ✚ Improve your brand reputation – consumers who view companies as innovative are often more inclined to test out their latest products and back your focus on innovation.
- ✚ Enjoy faster time to market – a streamlined process helps you identify and create plans for any bumps in the product development journey.
- ✚ Avoid feature creep – this process allows you to better manage and respond to requests for more and more features.
- ✚ Avoid common pitfalls – evade many of the snares which lead to failure by identifying them first:

- 1) Failure to meet your customers' requirements
- 2) Setting the price too high
- 3) Misaligned advertising
- 4) High development and resource costs
- 5) Stiff competition

6) Overestimating the market size

Stages of the new product development process

There are seven stages in the new product development process, which cover everything from brainstorming to launch.



Stage 1: Idea Generation



During the first stage, your goal is to brainstorm ideas for a product, focusing on solving your customers' problems. Create buyer personas, perform research, and dig deep into their issues. You can use as many sources of information as you need, not just your customers. Speak to your suppliers, distributors, competitors, and employee contributions.

You don't want to limit your ideas in any way in stage 1. Instead, create a list of ideas while trying to focus on creating value for your customers.

Stage 2: Idea Screening



One of the key benefits of the new product development process is being able to sift through all your ideas and pick one with the greatest chance of success.

The first stage exists solely to generate ideas without any kind of filter. Now is the time to start reducing your ideas. To ensure your idea is feasible, perform a proof of concept check, plus consult as many people internally as you can, checking different aspects such as the technical side of things, cost of production and resources, and marketability. Listen to your engineers, designers, and marketers very closely.

Don't forget to check if a similar product already exists or is under development by a competitor. Does yours have any significant advantage over it? If it's not unique in any way, you may need to drop it from the list of approved ideas unless you can convince your customers that yours is the superior product.

Stage 3: Concept Development and Testing



After narrowing down your ideas, you'll really put them to the test by developing your concept and testing it during this stage.

Concept Development: The difference between screening a new idea and developing it into a concept is vital. Only after creating alternative concepts for the idea can you evaluate its attractiveness to customers. Your concepts should be as precise as possible to provide meaning and be properly tested. Creating vague or general concepts won't allow you to test the validity of your idea correctly.

Concept Testing: Once you've developed your concepts, test them by presenting it to a select group of consumers. Does your concept have a strong enough appeal? You can tweak your concept until you find success, but don't be afraid to throw out any concepts which fail to grasp your consumers' attention and provide value.

Stage 4: Market Strategy and Business Analysis



After completing the concept development and testing stage, it's time to design a marketing strategy and analyze your product's attractiveness from a business perspective.

Marketing Strategy: Layout how you're going to market your product and reach your target audience. You'll want to define your value proposition, outline your planned selling price, and include your marketing budget for the business analysis.

Business Analysis: Performing an in-depth business analysis will help you decide whether your new product idea is worth the financial investment and resources you'll need to dedicate to it. During this analysis, you'll need to outline the total sales forecast, estimated costs, profit projections, and define your overall objective. Sometimes your business goal may be to penetrate the market, not necessarily achieve a positive ROI.

The bottom line to answer here is: will your new product be financially attractive or meet your business goal?

Stage 5: Product Development



By now, you've finalized an idea, created a marketing strategy, and performed a thorough business analysis. Which means it's time for your product to kick-start your product development cycle, the outcome being a finished, marketable product.

The new product development process doesn't define how to actually develop the product. That depends on your company's preference for development, whether it's Agile or Waterfall or another viable alternative.

Your designers, engineers, and developers will need to work together to create the finished product, which can take anywhere from days to years, depending on your product and the resources available.

Stage 6: Test Marketing



Testing is a critical stage you'll need to complete before commercialization. Here, you'll be challenging your product's validity and your marketing strategy using alpha and beta testing.

1. Alpha testing is when your product is delivered to test engineers who evaluate its performance in-case of any issues which need to be addressed.

2. Beta testing is when real groups of consumers receive your product to give their feedback. To get the most out of beta testing, be open to every single comment, and try not to get emotionally attached to your product in any way.

Stage 7: Commercialization



After the testing stage, you'll know whether you're ready to launch or return to an earlier stage. The commercialization phase means you're prepared to launch your new product into the market, and it means more than just advertising. You'll need to ensure that your production, distribution, marketing, sales, and customer support team are all in place to ensure a successful launch and ongoing campaign.