

Class: B.Com (Hons) Semester VI

Subject : BCP 6.2 PRINCIPLES OF MARKETING

Topic: NEW PRODUCT DEVELOPMENT

A new product is a product that is new to the company introducing it even though it may have been made in same form by others.

For example, in the area of toilet soaps, different brands introduced by each company are that way, new products as it is new to the company.

New products are those whose degree of change for customers is sufficient to require the design or re-design of marketing strategies.

Product development is the next step to product planning. Product development is the process of finding out the possibility of producing a product. It includes the decision as to whether it would be feasible or not to produce the product and whether it would be profitable or not for the enterprise to do so.

DEFINITION OF NEW PRODUCT DEVELOPMENT

“By new product we mean original products, product improvements, product modification and new brands that the firm develops through its own research and development efforts”.

Booz, Allen and Hamilton have identified six categories of new product in the terms of their newness to the company and to the market place.

- i. New to the world – New products that create an entirely new product.
- ii. New product lines – New Product that allows a company to enter an established market for the first time.

- iii. Additions to the existing product lines – New products that supplement a company's established product line.
- iv. Improvements in revision to existing product – New products that provide improved performance or greater perceived value and replace existing product.
- v. Repositioning – Existing products that are targeted to new markets or market segmentation.
- vi. Costs reductions – New product that provides similar performance at lower costs.

W.J. Stanton, M.J. Elzel and B.J. Walker define 'new product' as, "A new product is one which is really innovative which is significantly different from existing and imitative products that are new to the company."

8 STEPS OF NEW PRODUCT DEVELOPMENT:

#Idea Generation

The first stage of the New Product Development is the idea generation. Ideas come from everywhere, can be of any form, and can be numerous. This stage involves creating a large pool of ideas from various sources, which include –

- **Internal sources** – many companies give incentives to their employees to come up with workable ideas.
- **SWOT analysis** – Company may review its strength, weakness, opportunities and threats and come up with a good feasible idea.
- **Market research** – Companies constantly reviews the changing needs, wants, and trends in the market.

- **Customers** – Sometimes reviews and feedbacks from the customers or even their ideas can help companies generate new product ideas.
- **Competition** – Competitors SWOT analysis can help the company generate ideas.

#Idea Screening

Ideas can be many, but good ideas are few. This second step of new product development involves finding those good and feasible ideas and discarding those which aren't. Many factors play a part here, these include –

- Company's strength,
- Company's weakness,
- Customer needs,
- Ongoing trends,
- Expected ROI,
- Affordability, etc.

#Concept Development & Testing

The third step of the new product development includes concept development and testing. A concept is a detailed strategy or blueprint version of the idea. Basically, when an idea is developed in every aspect so as to make it presentable, it is called a concept.

All the ideas that pass the screening stage are turned into concepts for testing purpose. You wouldn't want to launch a product without its concept being tested.

The concept is now brought to the target market. Some selected customers from the target group are chosen to test the concept. Information is

provided to them to help them visualize the product. It is followed by questions from both sides. Business tries to know what the customer feels about the concept. Does the product fulfill the customer's need or want? Will they buy it when it's actually launched?

Their feedback helps the business to develop the concept further.

#Business Strategy Analysis & Development

The testing results help the business in coming up with the final concept to be developed into a product.

Now that the business has a finalized concept, it's time for it to analyse and decide the marketing, branding and other business strategies that will be used. Estimated product, profitability, marketing mix and other product strategies are decided for the product.

Other important analytics includes

- Competition of the product
- Costs involved
- Pricing strategies
- Breakeven point, etc.

#Product Development

Once all the strategies are approved, the product concept is transformed into an actual tangible product. This development stage of new product development results in building up of a prototype or a limited production model. All the branding and other strategies decided previously are tested and applied in this stage.

#Test Marketing

Unlike concept testing, the prototype is introduced for research and feedback in the test marketing phase. Customers feedback are taken and further changes, if required, are made to the product. This process is of utmost importance as it validates the whole concept and makes the company ready for the launch.

#Commercialization

The product is ready, so should be the marketing strategies. The marketing mix is now put to use. The final decisions are to be made. Markets are decided for the product to launch in. This stage involves briefing different departments about the duties and targets. Every minor and major decision is made before the final introduction stage of the new product development.



Introduction

This stage involves the final introduction of the product in the market. This stage is the initial stage of the actual product life cycle.
