

NEW PRODUCT DEVELOPMENT

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TOPICS

New Product development Process
Failure of New Product

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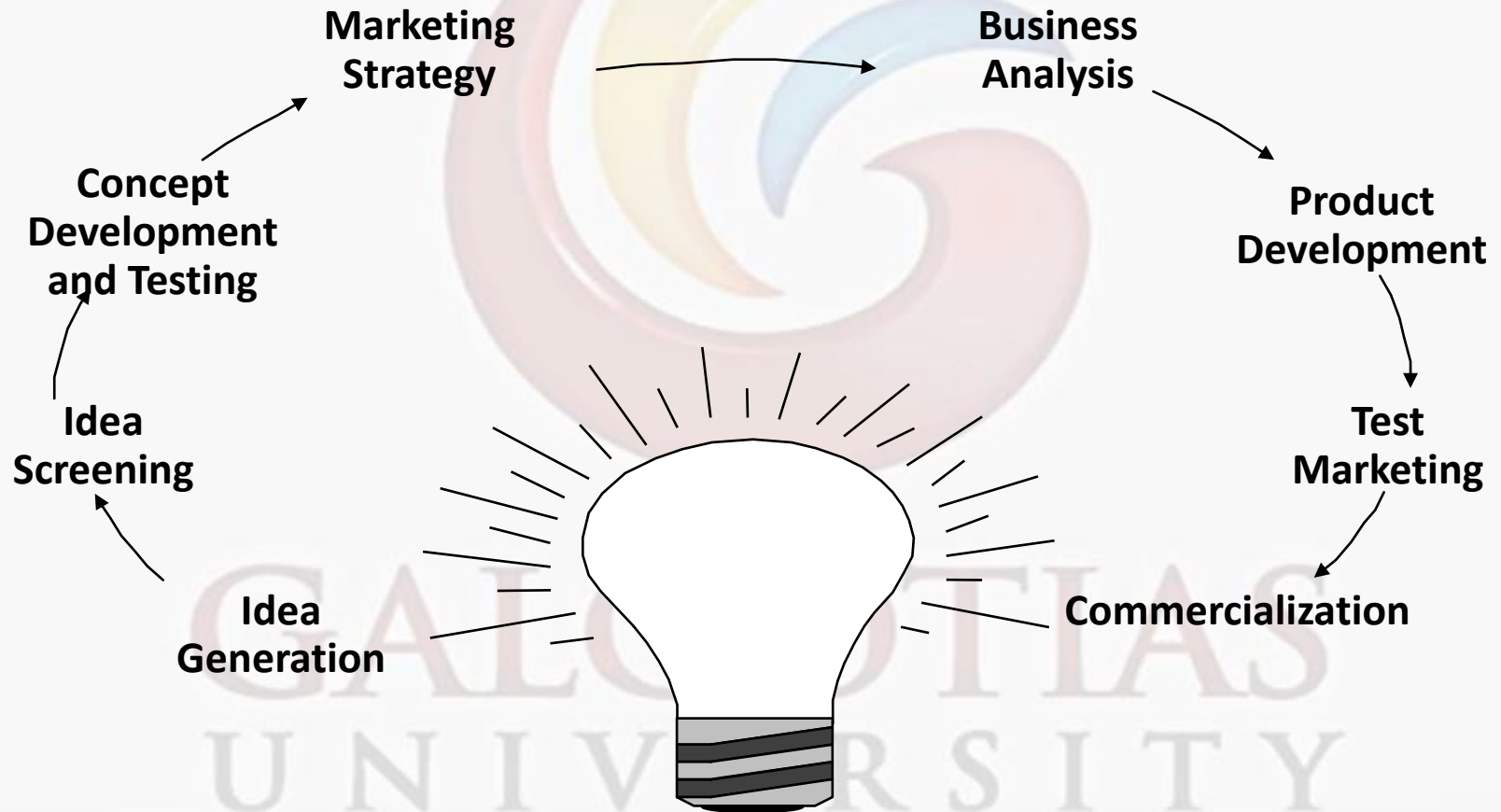
New Product Development

- Organisations need to develop new products due to changes in customer tastes, technology and/or competition.
- A firm can have **new product in two ways**:
 - Acquisition (Maggi noodles by Nestle, ThumsUp, Limca by Coca-Cola)
 - New Product Development (Pepsi-cola,
- **New product development** means development of original products or product improvements through co.'s own R&D efforts.
- 30-40% OF NEW PRODUCTS OF LARGE COMPANIES **FAIL** IN MARKET.

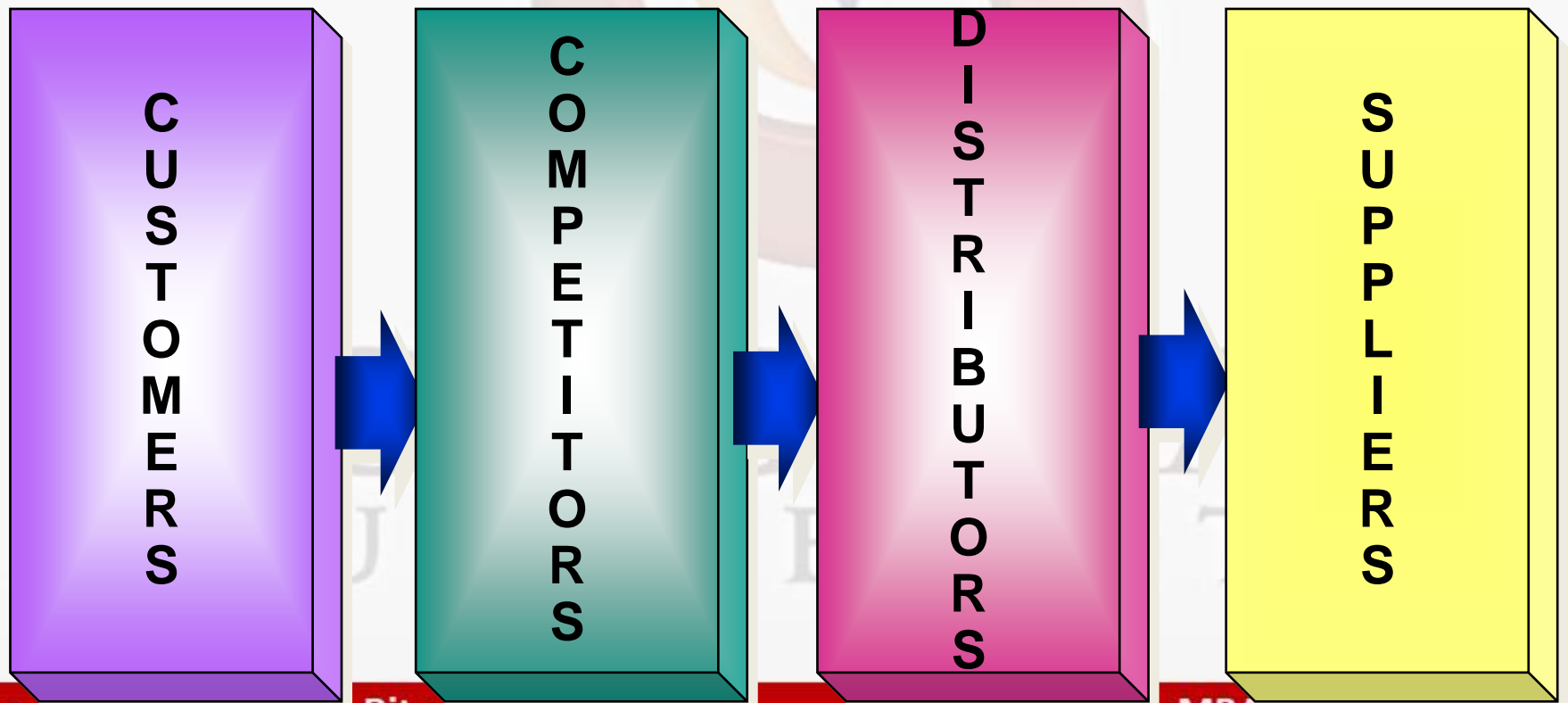
Reasons behind new product failure

- Lack of uniqueness.
- Poor positioning.
- Over-estimation of market size.
- Too high price.
- Poor promotion/visibility.
- Top manager's ego/wish.
- Poor designing – Actual product was not designed as it should have been.
- Poor timing

New Product Development Process



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



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

**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

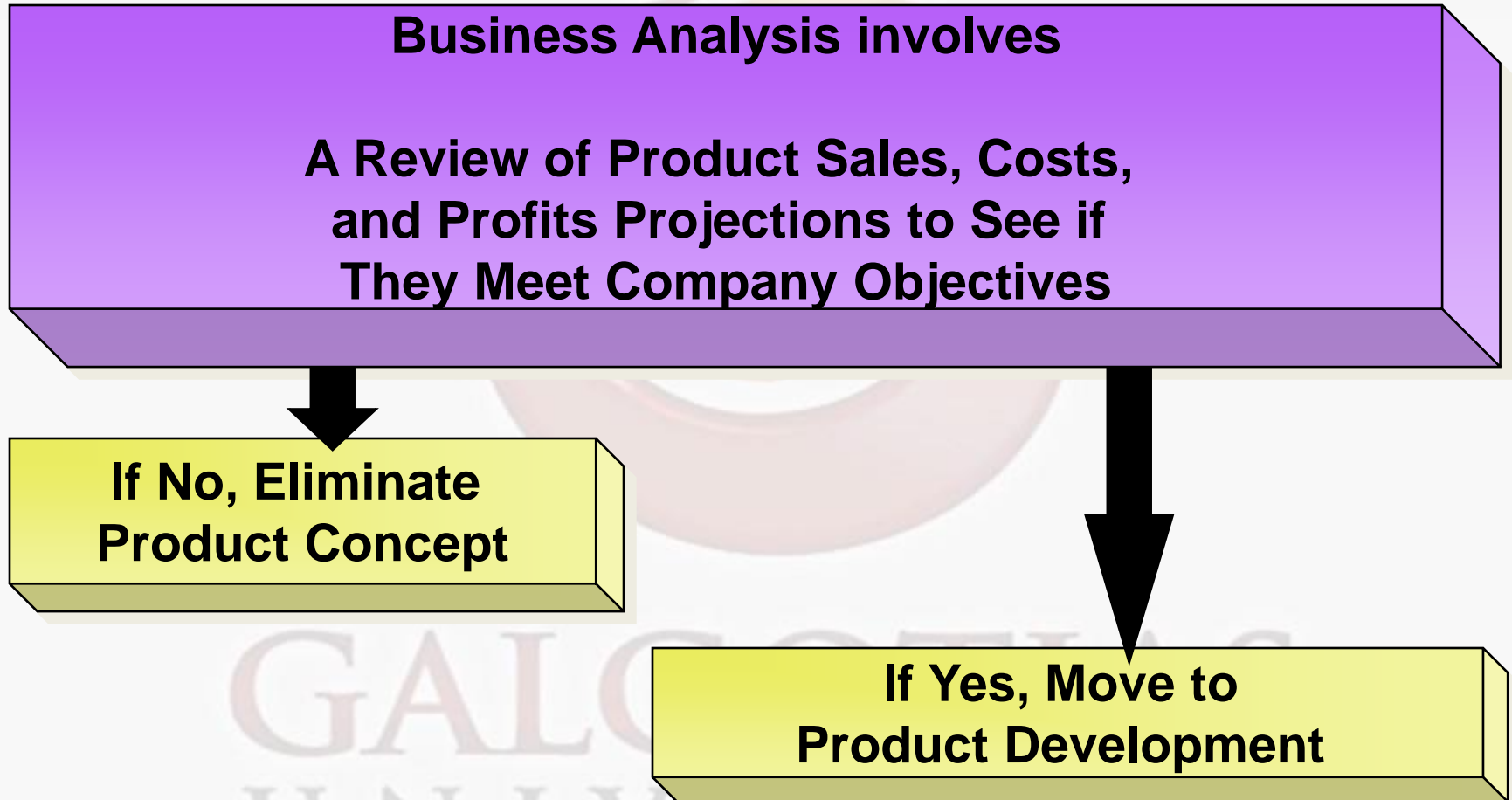


Marketing Strategy Statement Formulation

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



- Prototypes should be tested functionally in **laboratory** and field. **Consumer tests** are also conducted.

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Standard Test Market

Full marketing campaign in a small number of representative cities.

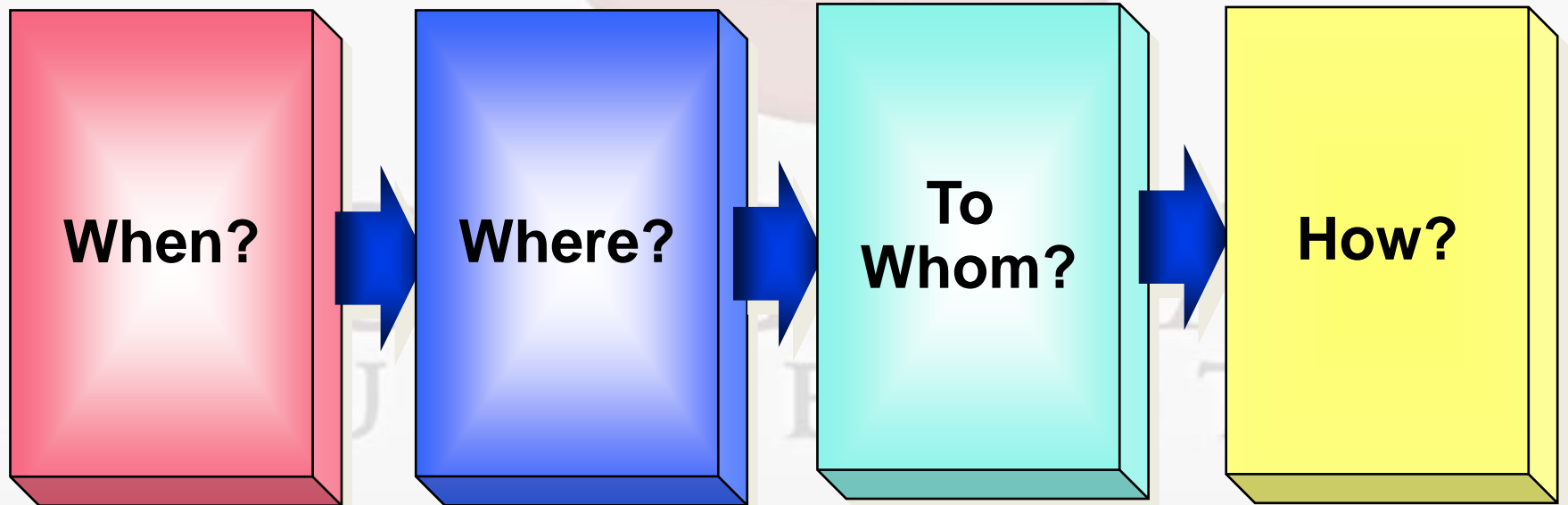
Controlled Test Market

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 is the Introduction of the New Product into the Marketplace.



Why New Products Fail?

- Depending on study, up to 80% of new products fail. Reasons can suggest ways of proving problems.
- Too small a target market – must be large enough to be profitable
- Poor product quality/performance – product has to work adequately, meet customer needs
 - Problem of tradeoffs. Company may mismanage a tradeoff in benefits. MacLean Deluxe
- Insignificant point of difference – product is not a great improvement on competitive offerings

- No protocol – clear statement of target market, its needs, what product would do
- Poor positioning – diet beer vs. light beer
- Inadequate budget – biggest reason small companies fail is inadequate capital
- Inadequate competitive analysis – reaction of current incumbents, products from new entrants
- Blinders (=“Vision”?)– company may have preconception that is never questioned. (Especially for high-tech)

- No Access to Market – especially difficult for smaller companies in competitive industries.
- Bad timing – “Better never than late.” relative to competitors, First-movers may have advantage. Relative to customer trends, may not want to be early; too much education required.
- Poor execution of marketing mix – wrong price, wrong distribution, wrong ad campaign. “Bad advertising kills a good product”

- References

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2. Kotler, Philip and Kevin Keller. Marketing Management. Pearson Education, 15th Ed ,
3. **Dutta, Kirti. Brand Management:Principles and Practices. Oxford University Press,**

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