Course: BSc in Information Technology

Class   Bsc in IT 4.2

Unit Title: Entrepreneurship & Product Devt

Unit Code: CIT 4201

Facilitator: DR. Rosemary Kagondu

 Week 2   : Lecture 3 : Monday Dec 14th 2020

CONTD: Idea Screening

Idea Screening

> An initial screening is the first decision to commit resources to the idea and to decide whether a NPD project starts or not. This gate is a "gentle" screen of certain "must meet" and "need to/should meet" criteria.

> **Must meet criteria:** corporate policy, strategic fit, magnitude of market opportunity, product advantage, project feasibility, availability of resources, regulations, impact on corporate image.

> **Need to/should meet criteria:** synergy (with product portfolio, production lines and capacity etc.), market attractiveness, competitive advantage, organizational and operational issues.

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Idea Screening

> Screening Ideas Against Company's Marketing Strategies

> Screening Ideas Against Company Sales and Profitability Minimums

> Screening Ideas Against Key Customers and Buyers

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Idea Screening

> Alignment with your Product Innovation Strategy
> Degree of compatibility with the company's values & principles (ex: moral, health, environmental)
> Market attractiveness / opportunity
> Project feasibility
> Degree of product advantage over other options
> Ability to leverage existing company resources

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Idea Screening

> The challenge at this gate is to identify and decide on the "right" ideas for further exploration. Your task is to strike a balance between what is desirable (especially from a consumer point of view) and what is feasible both in technical and market terms. A good strategy is also to keep a balanced portfolio of NPD projects in the pipeline with varying degrees of risk (low, medium and high) and rewards (short-, medium- and long-term).

> As precise information about market responses and technical requirements is not present at this stage you also need to rely on your intuition or gut feeling.

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Concept Development & Testing

- Concept development involves coming up with a **detailed description** of an idea, explained from the perspective of your customer. A concept typically highlights the best features of the proposed solutions in terms of:
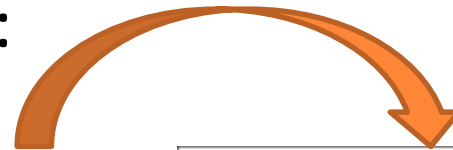
Convenience	usability
Quality	functionality
Performance	Price
values	experience

- A **new product concept** is basically a blueprint for your idea. When developing a new product concept, take note of the following crucial considerations :

❖ describe it from your customers' point of view

❖ list features and benefits of your product that may appeal to customers

❖ research and determine your target audience

❖ conduct focus groups and thorough market research

❖ consider resources required for designing, manufacturing and delivering the product

- Product Concept

  a) Product portfolio decision:

❖ Does it fit your company strategy?

❖ How does it affect your current product portfolio (product, product lines, product classes etc.)?

❖ Does it complement your portfolio or does it interfere with some of your products?

❖ How does the concept fit with what your company stands for?

b) Concept description:

❖ In order to know what information needs to be communicated to consumers, you first must understand the product concept itself. Seek to answer the following questions :

What is it made of?

How can or does it satisfy consumers?

❖ It is important to understand how consumers perceive a product in order to get an idea of its benefits and how the information stimuli ('cues') involved relate to actual product attributes

- Example

- Food products can be described according to sensory, health, convenience, and process attributes. Examples are:

- sensory: appearance, texture, flavour

- health: nutritional value, fat content

- convenience: shelf life, cooking duration, portionable packaging

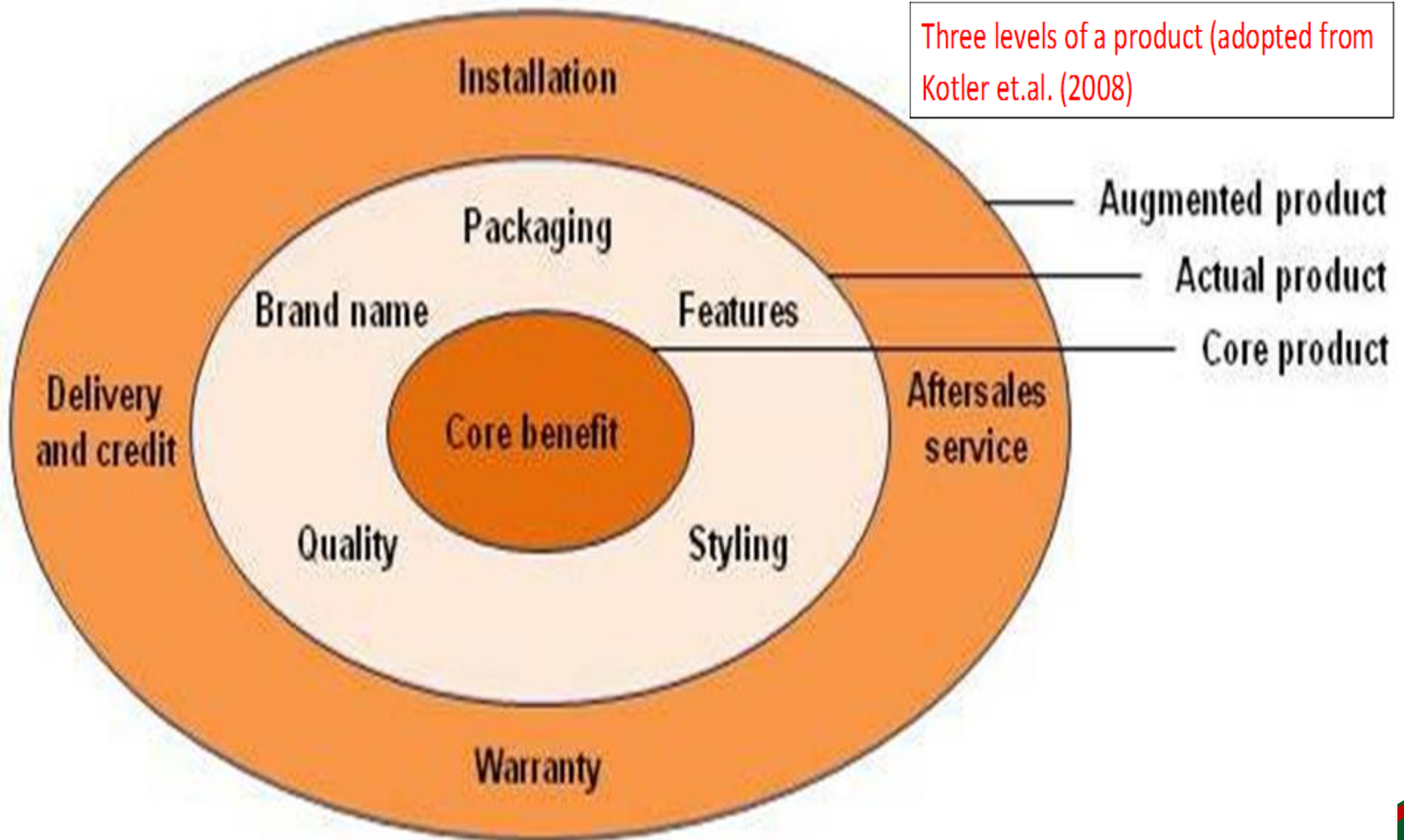- process: freshness, production system, animal welfare, feed composition.

A product has 3 distinguishing levels that marketers use in concept development namely: core, actual, and augmented product.

❖ The core product refers to the main benefit your customers derive from consuming the product.

❖ The actual product extends the core benefit to additional product characteristics.

❖ The augmented product finally extends the actual product to value-adding dimensions in particular services, such as product warranties

Three levels of a product (adopted from Kotler et.al. (2008)

The diagram shows three concentric circles:
- **Core product** (center): Core benefit
- **Actual product** (middle): Packaging, Brand name, Features, Quality, Styling
- **Augmented product** (outer): Installation, Delivery and credit, Aftersales service, Warranty

- C) **Specification of target market:** When developing the concept, think about your target group and tailor the information cues to the consumers. Preliminary segmentation can be based on a variety of criteria.

- ❖ E.g Try to identify your potential consumers based on what they consume (product class usage) and what kind of consumer will be looking for the benefits you want to offer.

- ❖ You can apply socio-demographics (such as sex, age, employment, lifestyle etc.

❖ One shortcut is to identify competing products that are similar to your concept. Bear in mind that consumers may regard other products as alternatives that you have not thought of.

❖ In summary, the most prominent selection criteria are product class usage, demographics, innovativeness, lead-user criteria, market expert criteria, lifestyle group membership, or even the general population.

4 Examples of concepts

Convenience: pork chop snacks

- Offered in grills and diners, but also in retail
- Young men (15-35 years old)
- Students and workers who often eat during breaks or when travelling between meetings etc.
- Snack lovers (who eat smaller portions more often throughout the day)

- **Health: Added omega -3**

Healthy tenderloin steak

- Eat your favorite steak without worrying about your health! Protected by new packaging, added omega-3 fatty acids support your nutritional balance and give you energy for the day! A great-looking, tender steak that enriches your day and impresses your guests!

Product information:
- Price: N/A
- Product size: 3 (200g
- Point of sale (POS): retail

Target users:
- Young and middle-aged people (25-45 years old)
- Especially women
- People with a health-oriented lifestyle

-

Animal welfare: quality labelling about animal welfare

Pork from happy pigs

We take animal welfare seriously. We guarantee that our pigs are treated in the best way and with minimum intervention. Happiness and well-being that you can taste! This product is certified to originate only from a selected group of farms that apply the highest standards of livestock treatment.

Product information:

Cuts available: tenderloin ...
Price: 30% added to conventional pricing
Point of sale (POS): premium retail; speciality stores
Target users:

People who apply ethical values to their food choices; also organic food consumers

Sustainability: carbon footprint labelling

Pork produced with low carbon emissions

This product has a carbon footprint that shows reduced carbon emissions compared to the industry average, resulting from a highly modernized production and processing chain.

Product information:

Cuts available: tenderloin ...

Price: 30% added to conventionally produced pork

Target users:

People who apply ethical values to their food choices; also organic food consumer

Example

HAVELLS

About Company

▶ Havells India Limited is a Fast Moving Electrical Goods (FMEG) Company with an extremely strong global presence. Founded in 1958 by Qimat Rai Gupta also known as QRG Group

▶ Havells is an Indian origin company, Havells manufactures 90% of its products in house. The Company has an extremely strong global presence across 50 countries with manufacturing units in China, Europe, Africa and Latin America apart from 7 manufacturing locations in India.

Havells Fans

Havells Ceiling fans come under five categories

- ➢ Premium under light fans.
- ➢ Decorative fans.
- ➢ Special finish fans.
- ➢ Energy Saving fans.
- ➢ Regular fans

Regular fans (Historical Fan)

Features

- Low Price.
- Less Attractive
- High Energy Consumption.
- Available in market.
- Less efficient.

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Havells Energy Saving fans.

Features

- Low Price.
- Less Attractive
- Low Energy Consumption.
- Available in market.
- Less efficient.

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Special finish fans.

Features

- Slightly high in Price.
- More Attractive
- Low Energy Consumption.
- Available in market.
- More efficient.

Decorative fans.

Features

- Slightly higher in Price.
- More Attractive
- Low Energy Consumption.
- Available in market.
- More efficient.

Premium under light fans.

Features

- Highest prices.
- Highly Attractive
- Low Energy Consumption.
- Available in market.
- Most efficient.
- Copper blades for high performance
- Remote control.

Product concept testing

- **Concept testing** is the attempt to predict the success of a new product idea before it is marketed. It usually involves getting people's reactions to a statement describing the basic idea of the product.

- Purpose of Concept testing
- Go/no-go decisions   -What market to be in?
- Selecting among alternative concepts
- Confirming concept selection decision   -Benchmarking
- Soliciting improvement ideas   -Forecasting demand
- Ready to launch?

❖ Concept testing is a quality check between the description of an idea and actual product development.

❖ A variety of approaches are available for concept testing.

❖ All methods involve a group of potential consumers rating one or more concept statements in which each concept is presented with specific focus on consumer needs or benefits.
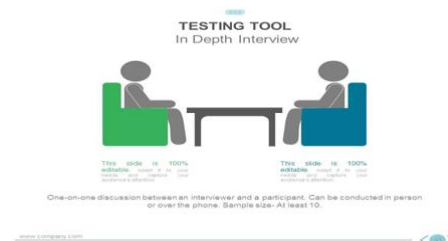
purposes of practical concept testing:

❖ to develop the original idea further

❖ to estimate the concept's market potential

❖ to eliminate poor concept(s)

❖ to identify the value of concept features

❖ to help identify the highest potential customer segment(s)

❖ to generate an estimate of sales or trial rate

❖ to provide diagnostic information

- **What is concept testing about?**

❖ In more technical terms, consumers are presented with a stimulus (the concept) and measures of reaction are taken which the researcher believes are predictive of the behavioural response, such as eventual purchase (Tauber, 1981, p.169).

❖ Concepts can be presented in many forms, from a simple factual statement with minimum description of the product's attributes, to a commercialized concept making persuasive claims, or even to a full mock advertisement

❖ Many concept tests use 'stripped' descriptions, with or without visual representations. Stripped descriptions provide a list of product characteristics in a short and concise manner. Additionally, images or sketch drawings of how the product may look can be used.

❖ 'Embellished' descriptions are another popular format. In contrast to stripped descriptions, they apply commercial language, words and phrases that are familiar from typical advertisements. They improve understanding about the product as they focus on problem solving; in other words, embellished descriptions often point out the core benefits offered by the product to overcome the consumer's problems.

- The difference between the concept and existing alternatives in the marketplace should be unambiguous and credible

Broadly the questionnaire designed for the survey has 3 main sections though they can vary depending on the product and the research company.

Qualification

Screener questions are asked to ensure that only valid responses are processed. Let us consider that a company wants to launch a new battery operated scooter / electric bike for college going students (new market).
An important question in the demographics section should be:

How far do you live from campus?

If the student stays within 5 miles of the campus, he might not need the scooter at all. Similarly, if he stays too far away, a scooter might not be the optimum mode for commuting. So again, the student must be eliminating while consolidating the results.

Product Description

Also known as communicating the concept, the new product idea is described to the respondents using several techniques such as:

Verbal description   Photo

Video   Multimedia

3-D model   Working prototype

Storyboard   Simulation

Purchase Intent

After describing the product by using one of the applicable methods mentioned above, the purchase intention of a potential consumer can be checked by using a simple likert scale:

If the scooter is priced as per expectations, how likely are you to purchase it in the next one year?

❑ Definitely won't purchase

❑ Probably won't purchase

❑ Not sure

❑ Probably would purchase

❑ Definitely would purchase

- suggested template for a concept,

Core concept:

Provide a statement with the core concept in one sentence.

Use a preliminary product name (if available).

Benefits:

Describe the product benefits, based on sensory, convenience, health, process and other product attributes.

Decide on stripped versus embellished formulations.

Product information:

Provide information about relevant extrinsic cues such as price, size, product-related information.

Target users:

Tell your respondent how you would describe him or her.

Describe the person based on segmentation criteria.

Ask if he or she feels the description is appropriate. (Do not forget to ask about personal information, before or after the test

Examples of questions asked during concept testing
Would you be interested in such a product?
Not at all interested
Hardly interested
Somewhat interested
Interested
Very interested
Why? ....
How much do you like the product?
Not at all
Not that much
Neither like nor dislike
Like it
Like it very much
What do you think is the best thing about the product? ....
What do you think is the worst thing about the product? ....
You are already buying ... (brand AA). How well do you think this product would compare to it?
Not very well
To some degree
Just as good
Somewhat better
Much better
Why? ....
Let's imagine that the product would already be available to purchase for _____. Would this price be of interest to you?
No interest at all
Not that interesting
Somewhat interesting
Interesting
Very interesting
Suppose the product is already available to purchase. How much do you think you should pay for it? ....
Why? ...
What would you like to change about the product? ...

Concept Testing Process

1. Define the purpose of the test
2. Choose a survey population
3. Choose a survey format
4. Communicate the concept
5. Measure customer response
6. Interpret the results
7. Reflect on the results and the process

1. Define the purpose of the test

- Explicitly articulate in writing the questions that the team wishes to answer with the test.

- Primary Questions:

- Which of several alternative concepts should be pursued?

- How can the concept be improved to better meet customer needs?

- Approximately how many units are likely to be sold?

- Should development be continued?

2. Choose a survey population

- Choose a survey population which mirrors the target market in as many ways as possible.

But how big the population?

Survey Population Size →

Factors favoring a smaller sample size:

- Test occurs early in concept development process.
- Test is primarily intended to gather qualitative data.
- Surveying potential customers is relatively costly in time and/or money.
- Required investment to develop and launch the product is relatively small.
- A relatively large fraction of the target market is expected to value the product

Factors favoring a larger sample size:

- Test occurs later in concept development process.
- Test is primarily intended to gather quantitative data.
- Surveying potential customers is relatively fast and inexpensive.
- Required investment to develop and launch the product is relatively high.
- A relatively small fraction of the target market is expected to value the product.

3. Choose a survey format

Typical Survey Formats

- Face-to-face interaction
- Telephone
- Postal Mail
- Electronic Mail
- Internet

Avoid inherent bias. An internet survey would be a bad choice when surveying a product geared for non-technical customers

4. Communicate the concept

- -Verbal Description   -Sketch
- -Photos/Rendering   -Storyboard
- -Video   -Simulation
- -Interactive multimedia   - Physical appearance models
- Working prototypes
- Make sure you communicate the concept in a way that is appropriate for the survey.
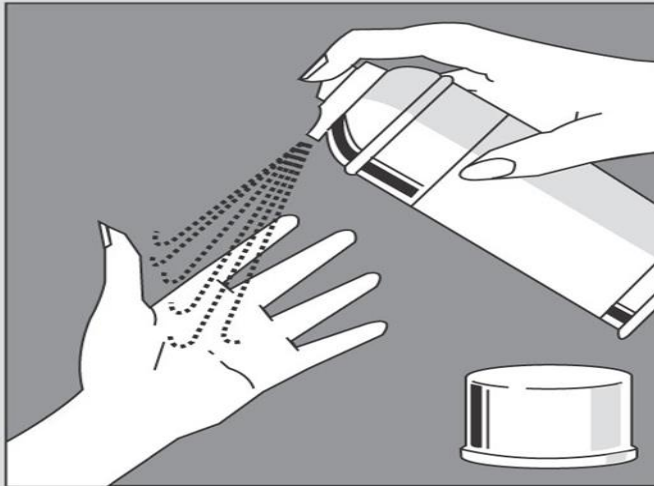- Example: You can't show a video via a telephone survey

Issues in communicating the concept

- Description of concept should be on the information the user
  will most likely consider when making a purchase.

- Do not include price unless very high or very low.
  - WHY?

- Present several concepts if possible.

Mail Concept test - sketch

Aerosol Hand Cleanser

A large-size can of hand cleanser concentrate that completely eliminates those lingering unpleasant odors that come from handling fish, onions, garlic, furniture polish, etc. Not a covering odor! Just press the button and spray directly on the hands, rub for a few seconds, and rinse off under the faucet. 24-ounce aerosol can will last for months and can be easily stored. Costs $2.25.

1. How interested would you be in buying the product described above if it were available at your supermarket?

	Check one	Responses in sample (%)
I would definitely buy	☐	5%
I would probably buy	☐	36%
I might or might not buy	☐	33%
I would probably not buy	☐	16%
I would definitely not buy	☐	10%
		100% Total

Mail Concept Test -- Verbal Description

- Here is a tasty, sparkling beverage that quenches thirst, refreshes, and makes the mouth tingle with a delightful flavor blend of orange, mint, and lime. It helps adults (and kids too) control weight by reducing the craving for sweets and between-meal snacks. And, best of all, it contains absolutely no calories. Comes in 12-ounce cans or bottles and costs 60 cents each.

- 1. How different, if at all, do you think this diet soft drink would be from other available products now on the market that might be compared with it?
- Very different ( ) ( ) ( ) ( ) ( ) ( ) Not at all different

- 2. Assuming you tried the product described above and liked it, about how often do you think you would buy it?
- More than 1X a week ( ) ( ) ( ) ( ) ( ) ( ) Would never buy

5. Measure Customer Response

- Concept testing can measure
  - ❖ Choice between alternative concepts (early in design)
  - ❖ Ways to improve concept
  - ❖ Purchase intent scale
    1. Definitely would buy
    2. Probably would buy
    3. Might or might not buy
    4. Probably would not buy
    5. Definitely would not buy

6. Interpret Results

- Concept selection
  - Relatively easy, which did the respondents indicate they liked better?

- Demand estimation
  - What is the estimated demand of the product after launch

Demand Estimation

- Durables
  - Products that are purchased one time. Negligible repeat purchase
    rate. Examples?

- Consumer goods
  - Goods that have high repeat purchases. Examples?

"Mommy, would you like to check the spelling on my 'What I want for my birthday' list?"

7. Reflect on Results

1. Was the concept communicated in a way that is likely to elicit customer response that reflects true intent?

2. Is the resulting forecast consistent with observed sales rates of similar products?

- **Example of concept testing**

New-Product Development Process

Concept Development and Testing

Concept testing refers to testing new-product concepts with groups of target consumers

Burn rubber, not gasoline.

Introducing the Tesla Roadster:
- 100% electric
- 0 to 60 in about 4 seconds
- 135 mpg equivalent
- 250 miles per charge
- about 1¢ per mile*

see more images & colors

Chapter 9- slide 10

Marketing strategy development

MSE-415: Product Design
Lecture #5

Chapter 8
Concept Testing

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Thank You