

NEW PRODUCT DEVELOPMENT

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- ✖ New product development (NPD) is the process of bringing a new product to the marketplace.
 - ✖ Your business may need to engage in this process due to changes in consumer preferences, increasing competition and advances in technology or to capitalise on a new opportunity.

'NEW PRODUCTS' CAN BE:

- ✘ Products that your business has never made or sold before but have been taken to market by others.
- ✘ Product innovations created and brought to the market for the first time.
- ✘ They may be completely original products, or existing products that you have modified and improved.


TYPES OF NEW PRODUCTS



- New-to-the-world products



- New product lines



- Additions to a product line



- Improvements and revisions of existing products

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- ✘ **1. New-to-the-World Products (or Breakthrough Products)** - These are innovative products that create an entirely new market or drastically change an existing one. They are often driven by technology or an unmet consumer need.
 - **Example:** Electric vehicles (EVs) by Tesla. When Tesla launched its first EV, it wasn't just another car—it represented a new approach to automotive design and environmental awareness, creating a niche market for high-performance electric cars.
 - ✘ **2. New Product Lines** - This involves introducing a product line in a category where the company has not previously competed.
 - **Example:** Apple's introduction of the Apple Watch was a new product line for a company traditionally focused on computers and smartphones.

✖ **Product Line Extensions** - These are new versions or variations of an existing product, targeting different segments or tastes.
Example: Coca-Cola Zero Sugar is a product line extension of Coca-Cola, catering to consumers who prefer a no-sugar option

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- ✖ **4. Improvement or Revisions to Existing Products** - These products enhance an existing product by updating features, addressing customer feedback, or improving quality.
 - **Example:** Samsung's Galaxy smartphone series often has new iterations with better processors, cameras, and software upgrades.

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- ✖ **5. Repositioned Products** - Products repositioned to appeal to a new market segment or change consumer perception.
 - **Example:** Baking soda was originally marketed as a baking ingredient, but it has been repositioned as a household cleaner, odor neutralizer, and even a personal care item.

BEST PRACTICES

Communicate with the customer

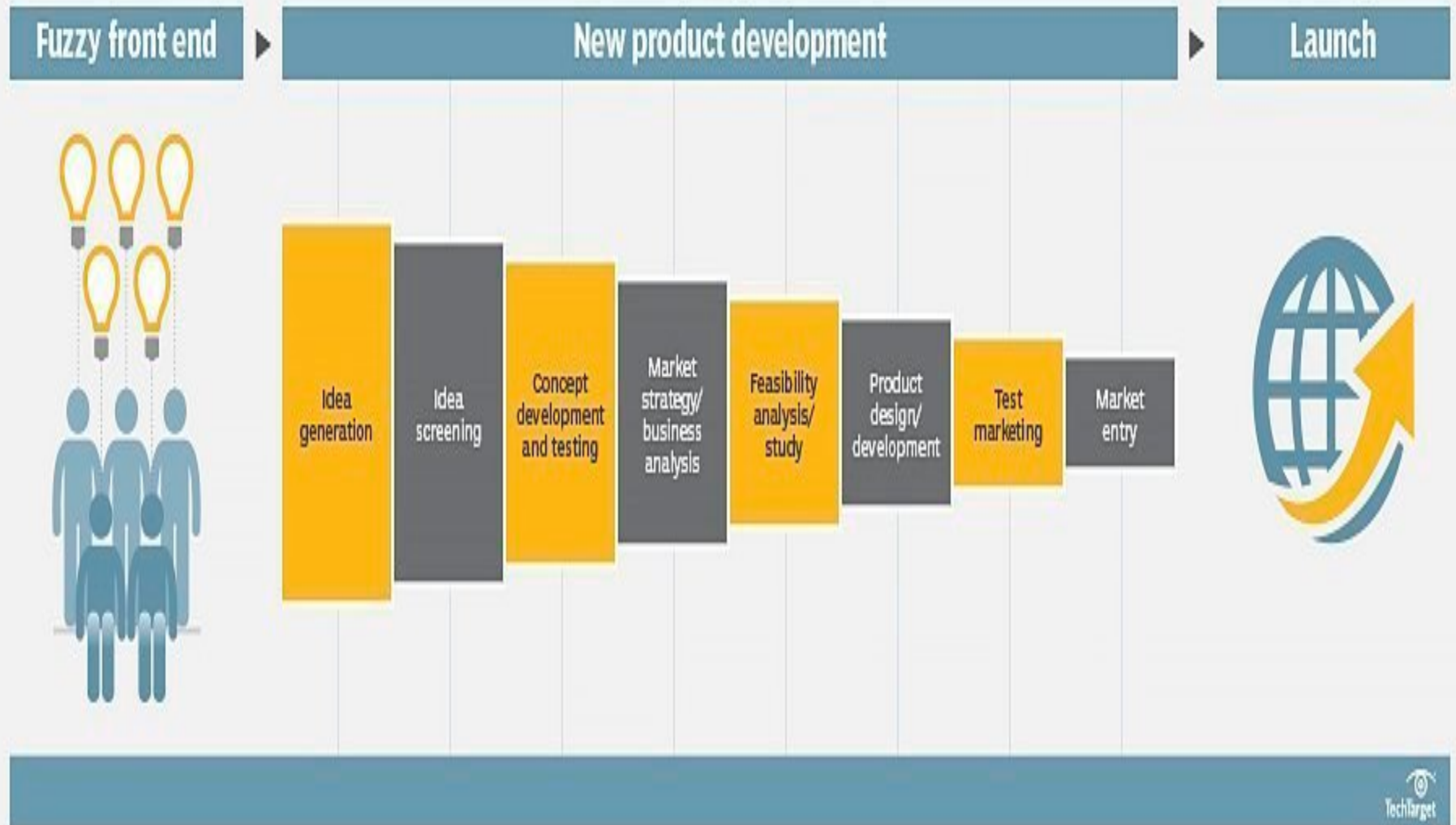
Tap employees for ideas

New product team

Budgeting

Letting go

Product development process



STEPS IN NEW PRODUCT DEVELOPMENT

- ✖ **1. Idea Generation** - This stage involves brainstorming and gathering new product ideas from various sources, including customer feedback, market trends, competitor analysis, and internal brainstorming.
 - **Example:** A tech company identifies a market opportunity for a smartwatch targeting fitness enthusiasts who want advanced health metrics like oxygen saturation, stress levels, and sleep quality tracking.

- ✖ **2. Idea Screening** - The company evaluates the feasibility of each idea, considering potential costs, benefits, and alignment with company strategy. Unviable ideas are discarded to focus on those with higher potential.
 - **Example:** The company reviews all smartwatch concepts and selects the one focused on fitness tracking because of its alignment with the brand's wellness focus and its potential to meet an increasing market demand.

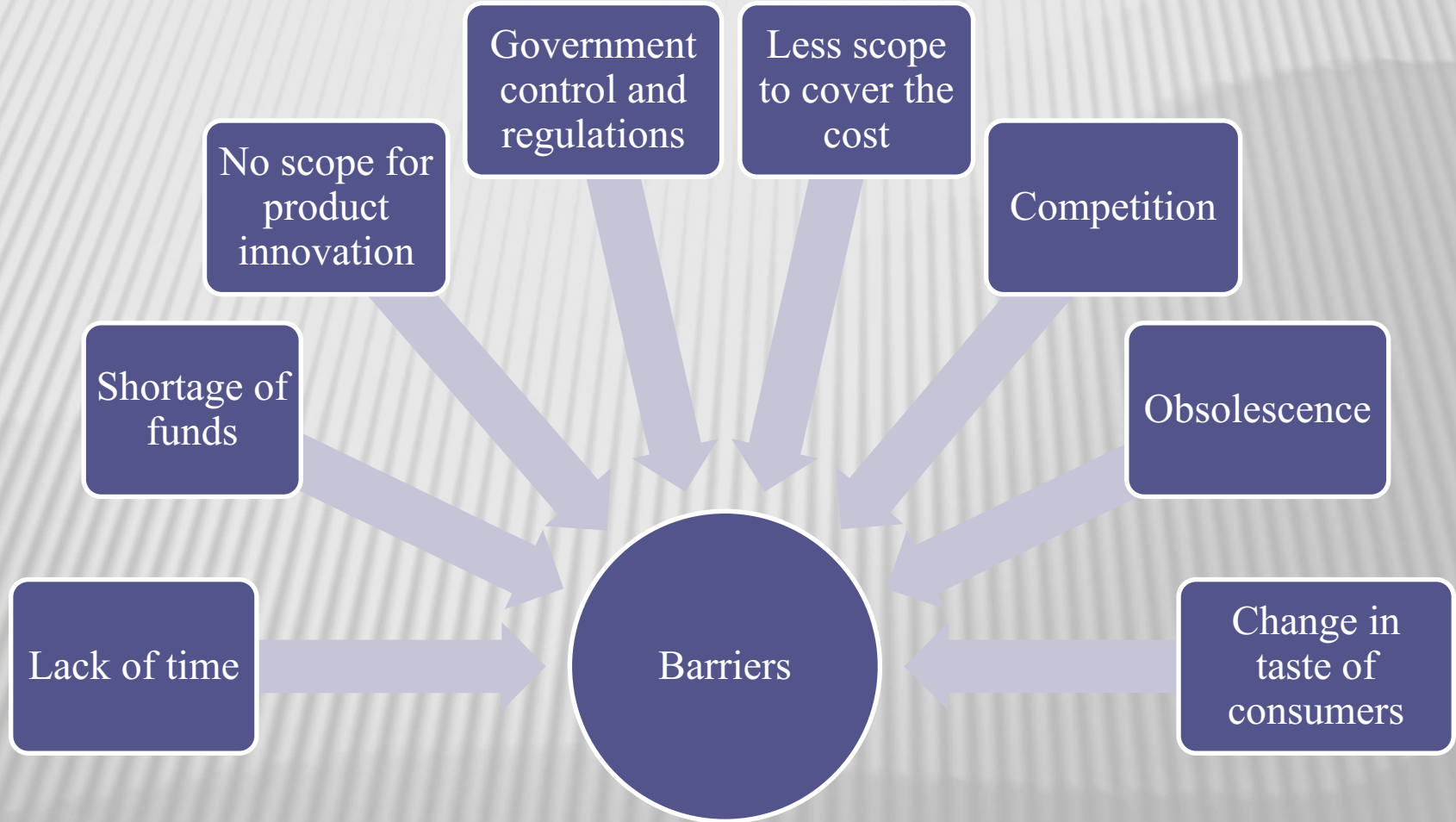
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- ✖ **3. Concept Development and Testing** - The product concept is developed further to include detailed features, benefits, and target customers. This concept is then tested with a target audience to gauge interest.
 - **Example:** The company creates a concept for the fitness smartwatch, emphasizing unique features like stress-level monitoring and 24-hour oxygen tracking. It presents this concept to focus groups to gather feedback on appeal and usability.

 - ✖ **4. Business Analysis** - This step involves evaluating the potential profitability of the product, assessing costs, pricing strategy, estimated sales volume, and break-even analysis.
 - **Example:** The tech company analyzes the costs of R&D, materials, and production, along with anticipated sales based on market research, and determines that the smartwatch could achieve profitability within the first year of launch.

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- ✖ **5. Product Development** - This is the actual design and prototyping stage, where R&D teams work on creating a physical product that can be tested. Prototypes are made, and the product undergoes quality checks.
 - **Example:** The company builds a prototype of the smartwatch, incorporating fitness-focused software and hardware features, like an advanced heart-rate monitor. Engineers test for durability, battery life, and sensor accuracy.
 - ✖ **6. Market Testing** - The product is introduced in a limited market or through test marketing to gather real-world customer feedback and identify any potential issues before a full-scale launch.
 - **Example:** The smartwatch is launched in select stores and online in a few cities, where the company observes customer reactions, collects feedback, and assesses the effectiveness of its marketing strategy.

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- ✖ **7. Commercialization (Product Launch)** - The product is launched with full-scale production, marketing, and distribution efforts to reach the broader target audience.
 - **Example:** After refining the smartwatch based on test-market feedback, the company launches it globally with a promotional campaign highlighting its fitness and health-tracking capabilities.
 - ✖ **8. Post-Launch Evaluation** - After launch, the company monitors sales performance, gathers customer feedback, and addresses any issues. Adjustments and updates may be made based on user experience.
 - **Example:** The company tracks sales data and user reviews, addressing any minor issues through software updates and gathering insights for potential improvements in the next model.

BARRIERS TO NEW PRODUCT DEVELOPMENT



BARRIERS TO NEW PRODUCT DEVELOPMENT

- ✘ 1. Shortage of funds is often the most commonly cited problem in NPD. Entrepreneurial firms with good product ideas simply do not have the resources to fruitfully pursue product development and commercialization.
- ✘ 2. Some product categories simply do not have much scope for product innovation. There are a few product innovations but they are few and far between. For example, there are not many ways to improve salt, steel, and other such commodities.
- ✘ 3. An entrepreneurial firm is always in a crisis-management mode and people do not have time to spare. In such a helter-skelter scenario, it will be difficult to take time out for long-term slow-paced processes such as NPD.

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- ✘ 4. In a number of sectors such as food, automotive, and pharmaceuticals, there are strict government controls and regulations. In such industries, not only does the firm have to come up with a new product but also pursue officials to get approvals for it. This increases the cost and also slows down the process.
 - ✘ 5. Entrepreneurial firms serve small market segments, usually concentrating on niche markets. Such small fragmented consumer clusters do not always offer the scope to recover the costs of developing and commercially launching a new product.
 - ✘ 6. If a new product is successful, there will be a number of larger companies just waiting to copy the product idea. The entrepreneurial firm will not have the resources to compete with the larger firm and thus will not be able to reap the benefits of its innovation.
 - ✘ 7. With technology changing very fast, a new product may become obsolete very soon. Product life cycles have been drastically shortened and if a firm is not able to develop and sell fast enough, it will not achieve its financial objectives.