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Product Development

When small companies plan to test market their product, they must evaluate all the possible advantages and disadvantages of this weighty decision. An obvious advantage is the feedback on the product that will be received. This is the company’s primary goal. Testing a product to their target market will give them ideas on how to improve their product and information on how successful the new bike will be. Another advantage is that test marketing will give the company experience in packaging and distribution, which will help them in the initial release. Small companies aren’t normally very efficient and experienced in product distribution, but this would offer a fantastic opportunity with minimal risk. One final advantageous is that it will help the company identify its marketing mix. This new company will be able to adapt the factors that go into their marketing mix, to best attribute to their identified target market. After looking at the advantages, it is also important to understand the disadvantages of test marketing.

To decide whether a company should test market a new product, a company must consider all the possible factors and elements. An important disadvantage of doing so, is the excessive costs that are associated with it. For a small company the price associated with test marketing can add up after factoring the labor, distribution, and research costs involved. In addition to this, test marketing is very time consuming. The time that it takes to identify a location, decide on the number of bikes to launch, advertise the product, wait for the consumers to use it, and collect the feedback from the consumers, a company could have already launched their product nation wide and have been earning profits. A final negative factor that must be considered, is the possibility that you will give away innovative ideas to rivals. In a capitalistic economy competitive advantage is vital. Companies never want to lose their ideas to rivals and there is a threat of this occurring when a company commits to test marketing. For example when our test market reveals a new feature on our product, rivals could take that idea and add it to their own product. Having looked at the advantages and disadvantages of test marketing, we will look at the information that our company will hope to gain from this venture.

It is vital for our company to understand what information we want to find before we begin the marketing campaign. First, we are looking to understand which features our target market is looking for in a bike. This is important to understand if the features offered are adequate to the customers demand. Along with this, we are looking to understand ways that we can improve our product to best create a product for consumers. Our consumers’ perception determines the success of our product, so it is vital to acquire feedback to best adapt our new bike. Thirdly, we would like to understand the percentage of our target market that will make the purchase of this model. This will help us determine the success of our product and help to determine future distribution and production quantities. Finally, testing the product will able us to determine what price our consumers will pay for the product. We have a price model already in place, but this can always change do to the response from consumers. We believe that these factors will help us successfully determine the best way to launch or product nationwide.