

DEVELOPING NEW PRODUCTS

New products are the lifeblood of a company and keep it growing, but the financial risks are large. There are several ways to define a new product, such as the degree of distinction from existing products, a company perspective, or effect on a consumer's usage pattern.

Companies such as General Electric, Sony, or Procter & Gamble take a sequence of steps before their products are ready for market. The new-product process is the sequence of activities a firm uses to identify business opportunities and convert them to a saleable good or service. This sequence begins with new-product strategy development and ends with commercialization.

For companies, new-product strategy development involves defining the role for a new product in terms of the firm's overall corporate objectives. During this new-product strategy development stage the company uses the environmental scanning process to identify trends that pose either opportunities or threats. The outcome of new-product strategy development is not new-product ideas but identifying markets for which new products will be developed and strategic roles new products might serve.

Teams are also especially important in new-product development so that individuals from R&D, marketing, manufacturing, finance, and so forth can simultaneously search together in a constructive environment for new products and market opportunities.

Developing a pool of concepts as candidates for new products, or idea generation, must build on the previous stage's results. New-product ideas are generated by consumers, employees, basic R&D, and competitors.

Companies often analyze consumer complaints or problems to discover new-product opportunities. Listening to growing concerns about cholesterol and fat in its food, McDonald's reformulated its shakes with a low-fat mixture and introduced a low-fat hamburger. Employees may be encouraged to suggest new product ideas through suggestion boxes or contests. Another source of new products is a firm's basic research, but the costs can be huge. New-product ideas can also be found by analyzing the competition.

The third stage of the new-product process is screening and evaluation, which involves internal and external evaluations of the new-product ideas to eliminate those that warrant no further effort.

Internally, the firm evaluates the technical feasibility of the proposal and whether the idea meets the new-product strategy objectives defined in step 1. Concept tests are external evaluations of preliminary testing of the new-product idea (rather than the actual product) with consumers. Concept tests usually rely on written descriptions of the product but may be augmented with sketches, mockups, or promotional literature.

Business analysis involves specifying the features of the product and the marketing strategy needed to commercialize it and making necessary financial projections. This is the last checkpoint before significant capital is invested in creating a prototype of the product. Economic analysis, marketing strategy review, and legal examination of the proposed product are conducted at this stage.

Product ideas that survive the business analysis proceed to actual development, turning the idea on paper into a prototype. This result is a demonstrable, producible product in hand. Design of the product becomes an important element.

The market testing stage of the new-product process involves exposing actual products to prospective consumers under realistic purchase conditions to see if they buy. Often a product is developed, tested, refined, and then tested again to get consumer reactions through either test marketing or purchase laboratories.

Finally, the product is brought to the point of commercialization – positioning and launching it in full-scale production and sales. Companies proceed very carefully at the commercialization stage because this is the most expensive stage for new products, especially consumer products.

In the long run we can make a brief summary. The new-product process consists of seven stages. Objectives for new products are determined in the first stage, new-product strategy development; this is followed by idea generation, screening and evaluation, business analysis, development, market testing and commercialization