

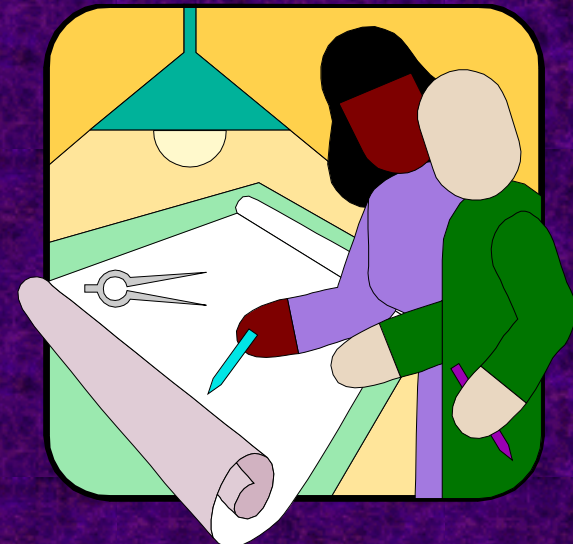
New Product Development



Carlos F. Ostertag
Rural Agroenterprise
Development Project
CIAT
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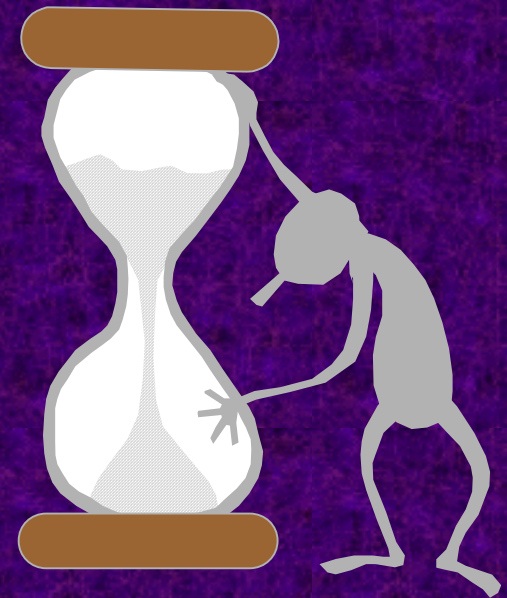
New product development

The process of designing and launching into the market, products that are either original, improved modified or new brands by means of research and development activities.



Importance of new product development

- is necessary for growth of enterprises
- all products decline with time (life cycle)
- the market is dynamic
- technical innovation is permanent
- half of enterprise profits in USA are generated by products that did not exist 10 years ago



Risks of new product development

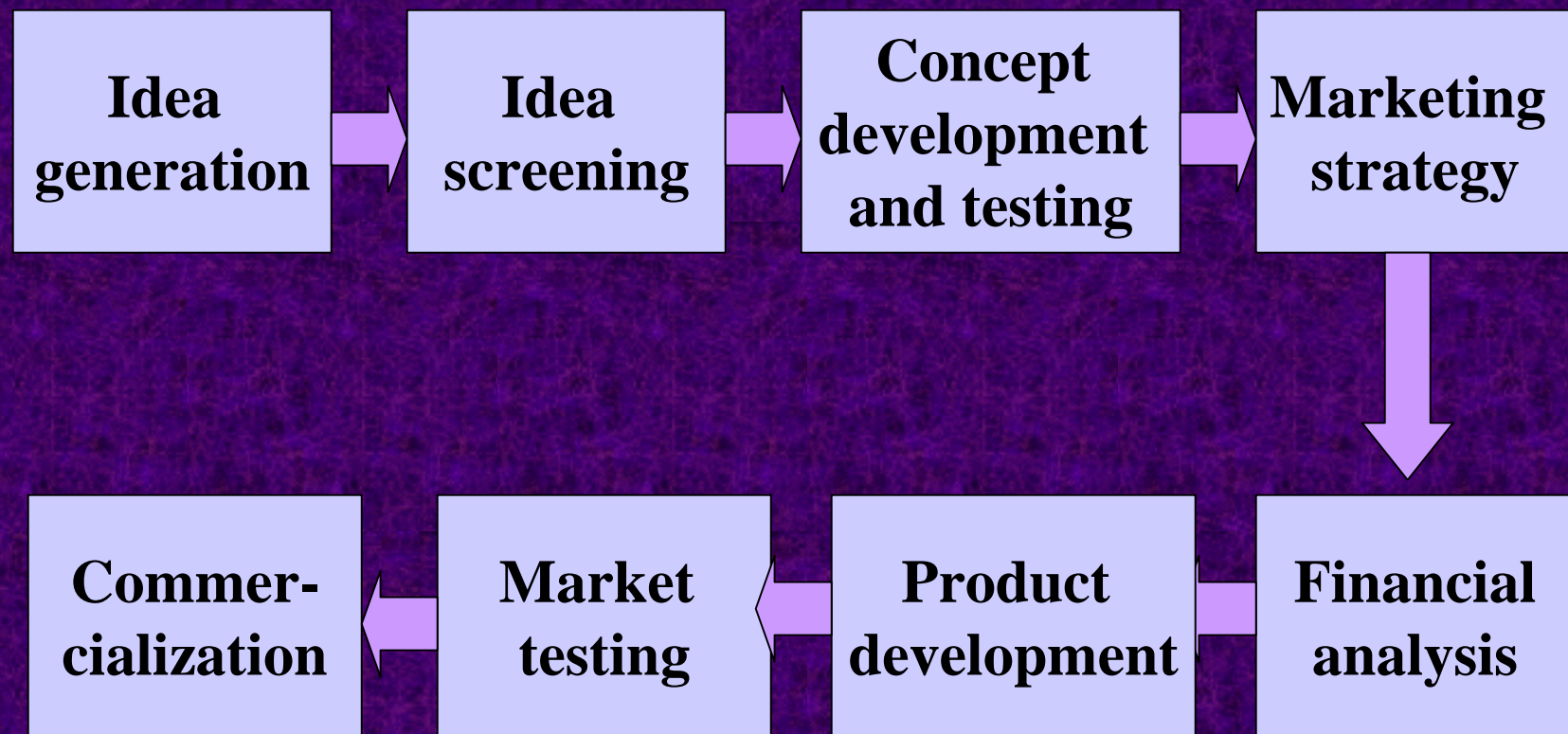
- 80% of new consumer goods fail
- 33% of new industrial products fail

Study of Keys for Success:

- product must offer a clear advantage
- produce concept has to be well defined
- obtain synergy between technology and marketing
- quality of execution



Stages of new product development



Idea generation

- **Systematic search of ideas**
- **Brainstorming**
- **55% of ideas are generated internally**
- **28% come from consumers**
- **30% are obtained analyzing the competition**
- **Remaining ideas come from distribution system**



Idea screening



- Ideas are taken to a standard format (product, market, competition, market size, price, profitability)
- These are evaluated with predetermined criteria (real benefits, enterprise fit, know-how)
- Several screening cycles

Scoring process



Success factors	Relative importance (A)	Adaptation to enterprise (B)	Score of idea (AxB)
		.0 .1 .2 .3 .4 .5 .6 .7 .8 .9 1.0	

• Enterprise strategy	0.20	X	0.16
• M/ting capacity	0.20	X	0.18
• F/cial resources	0.15	X	0.105
• Distribution	0.15	X	0.12
• P/tion capacity	0.1	X	0.08
• R&D capacity	0.1	X	0.07
• Purchases	0.05	X	0.025
Total	1.00		0.74

Concept development & testing

- **Product idea**
- **Product concept: detailed version of the idea defined in terms that have a meaning for the client or consumer**
- **Product image: the way in which the client perceives the product**
- **Concept tests: with text or drawings**

Concept development & testing



With the new SKILLET PIZZA you can prepare a pizza that will be fresher than the frozen ones and as delicious as any made in a pizzeria....and without using the oven.

There are three flavors: cheese, pepper, and sausage.

The instructions are simple. Cook it in a half-covered skillet during 13 to 15 minutes; uncover and leave for another 3 to 5 minutes and you will have a delicious pizza for one person.

Questions for concept testing

- Do you understand the concept?
- Do you believe what is said about the product?
- What advantages do you see in this product?
- What do you suggest to improve this product?
- For which uses do you prefer this product?
- What would be a reasonable price?
- Who makes the purchase decision in your family or enterprise?
- Measure of buying intention

Marketing strategy

- **First part:** Target market - Product positioning - Sales goals - Market share - Profits
- **Second part:** Price - Distribution - Marketing budget for first year
- **Third part:** Profit goals y Long-term sales - Marketing mix strategy

Financial analysis

- review sales, cost, and profit projections
- include marketing, R&D, production, accounting, and financial costs
- if it survives, continue the development process



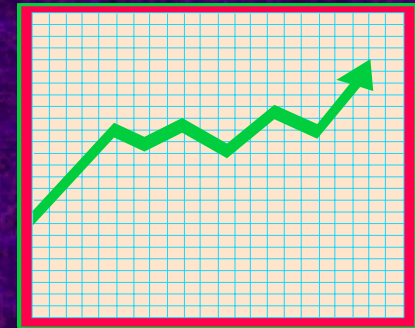
Product development

- a material version of the product concept is created
- the prototype should be attractive, easy to produce, and in agreement with costs
- laboratory and field testing
- multidisciplinary focus (marketing and production)



Market testing

- Stage in which the product and the marketing program are tested under real market conditions
- permits problem identification
- useful for improving sales and profit forecasts
- market testing is optional, depending on level of investment and product advantages
- the product is introduced to part of the total market



Commercialization

When launching a new product, the enterprise makes four decisions:

- **When?**
- **Where? Planned wave**
- **To whom? First-class prospects**
- **How? Action plan with marketing mix**

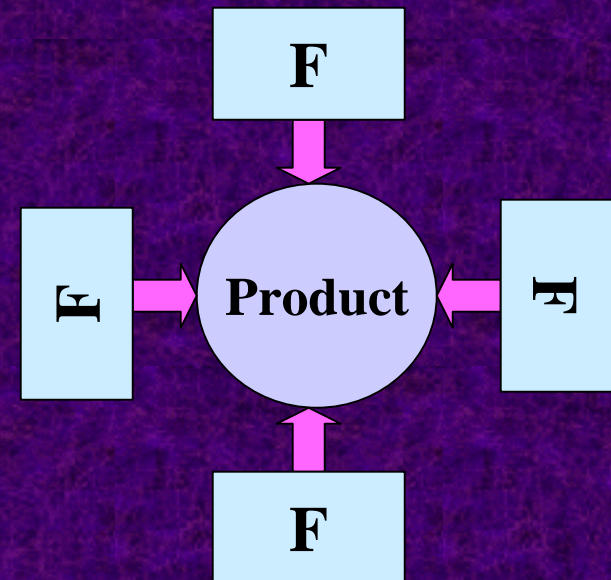
Organization for new product development

Development in sequence



- facilitates project control
- may be too slow

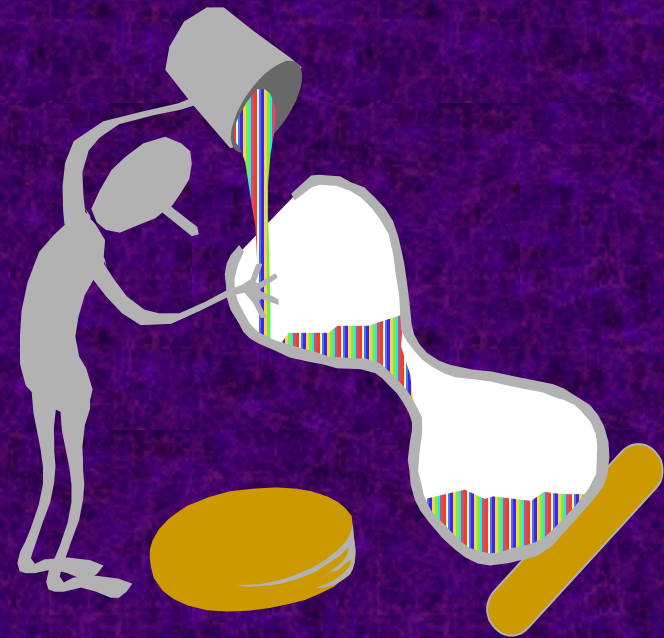
Simultaneous development



- new trend
- multidisciplinary
- saves time and is more efficient

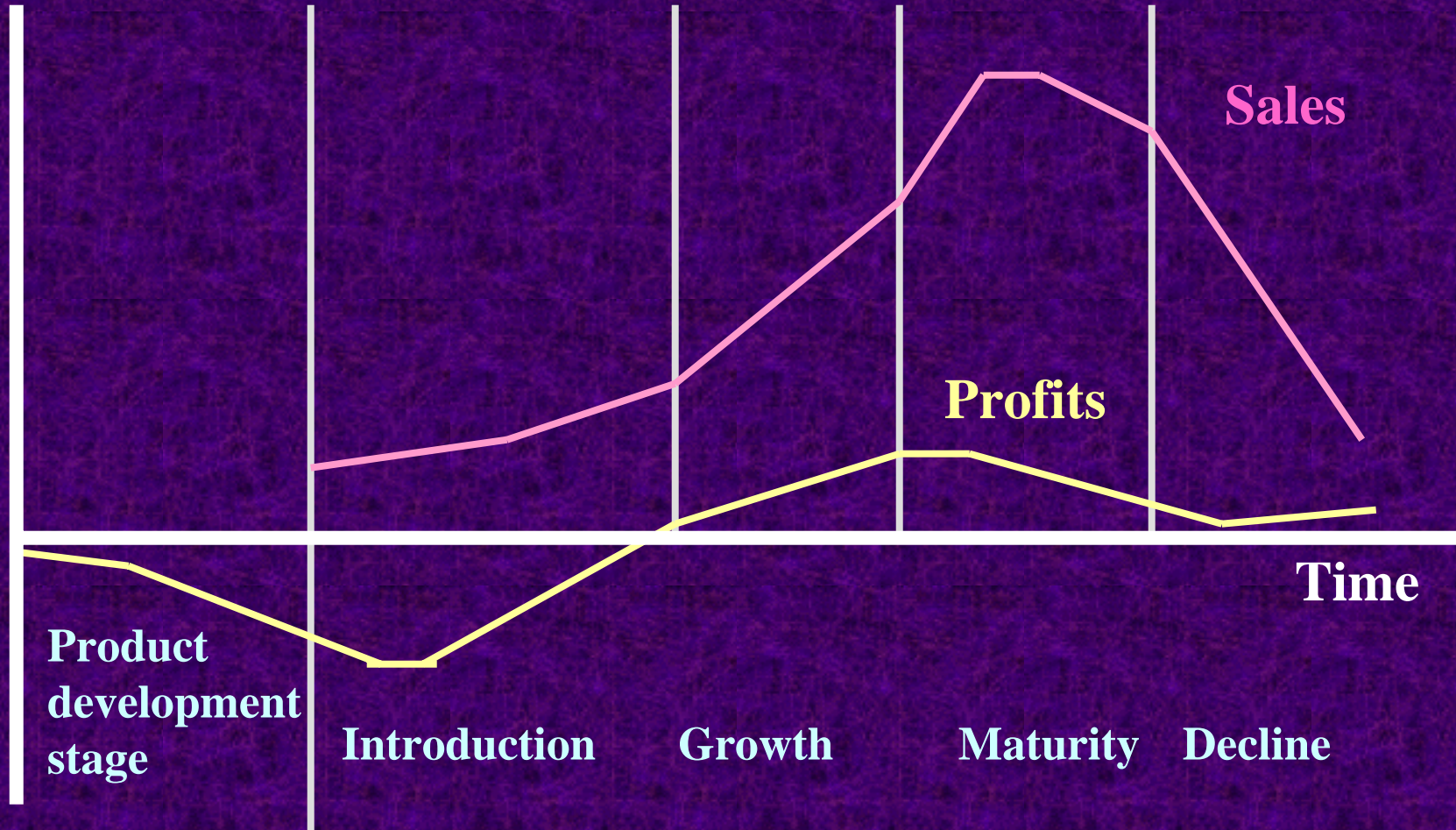
Product life-cycle (PLC) strategies

- **PLC is the course followed by sales and profits during the products lifetime.**
- **PLC has five stages:**
 - **product development**
 - **introduction**
 - **growth**
 - **maturity**
 - **decline**



PLC strategies

Sales and profits



Losses and investment

Time

Product development stage

Introduction

Growth

Maturity

Decline

Profits

Sales