

Cost Innovation

Cost innovation can be delivered in three ways:

- Selling high end products at mass-market prices
- Offering choice or customisation to value customers
- Turning niches into mass markets

New Product development

There are four stages towards new product development.

1. **new to the market** — a new technology that has never been seen before
2. **new to the company** — a product already in the marketplace but this is the first time it has been produced by a certain company
3. **new to the product line** — a product that is an extension of whatever the company currently produces
4. **new to the product** — modifications, enhancements and improvements to a specific product that will revitalise it and move it into a growth stage in the product life cycle.

There are also eight phases for introducing products:

1. **Idea Generation** – Idea generation is the phase in which ideas for new products are created. Most new product ideas are the result of a planned approach to generation innovations. The approach should be open to ideas from internal sources (employed scientist, engineers, marketers and so on. And external sources (customers, competitors and partners). Techniques such as brainstorming and focus groups are employed.
2. **Screening** – Organisations undertake a screening process to eliminate those ideas that are not feasible, and to help identify the most promising ones. Screening can involve analysing the firm's ability to produce the product, the target market potential interest, market size and production cost.
3. **Concept evaluation** – The product concept is presented to potential customers as a description or drawing that demonstrated to the customers, it is to determine whether the product would satisfy the customers need or want and what attributes it presents that the most valued customers would want.
4. **Marketing Strategy** – Management can start planning a strategy that includes projected sales and profits, marketing positioning, potential target market, marketing mix strategies and long-term goals.
5. **Business Analysis** – A business analysis reviews how the product will affect the organisations cost's and profit projections.
6. **Product Development** - This means developing a working prototype, along with additional investment in research and development to ensure the design, materials and so on will result in the optimum product.

7. Test marketing - Test marketing activities enables a 'rea world' assessment of the entire marketing mix that supports the product. This is an important step before proceeding with full commmercialisation.
8. Commmercialisation – If all phases worked out correctly, it is time to launch the new product. Cost will be high initially but if so there is a solid chance that the new product will succeed.

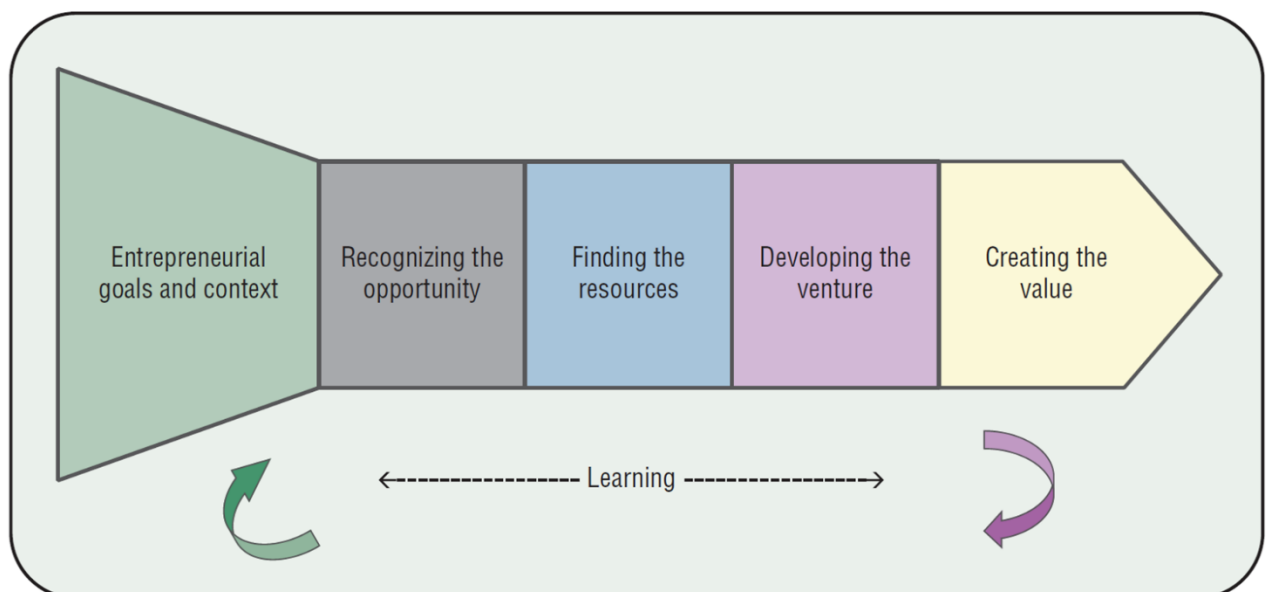
1.4 What do successful innovators and entrepreneurs do?

The key to identifying success in innovators and entrepreneurs have demonstrated are:

1 Explore and understand different dimensions of innovation

| Dimension | Type of change |
|------------|---|
| 'Product' | Changes in the things (products/services) which an organisation offers. Cars with GPS, auto reverse,... |
| 'Process' | Changes in the ways in which these offerings are created and delivered Macdonald's – Crate your own taste |
| 'Position' | Changes in the context into which the products/services are introduced Lucozade – from illness recovery to health drink |
| 'Paradigm' | Changes in the underlying mental models which frame what the organisation does Easing the fears of Online Banking |

2 Manage innovation as a process



This can be broken down into four key steps

- **Recognising the opportunities**

Innovation triggers come in all shapes and sizes and from all sorts of directions. They could be from new technological opportunities or changing requirements such as legislative pressures or competitor's actions.

- **Finding the resources**