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Lecture 1

THE STRATEGIC ELEMENTS OF PRODUCT DEVELOPMENT

The importance of new products → seeking ongoing innovation as the market matures

New products can come in various forms and manners. The main drivers of NPD:

- Weak growth in existing markets
- Build/leverage brand equity
- Growth via new markets
- Attack competitors
- Management goals
- Access to new technology/adapt to economic conditions
- Promotional support
- Media attention
- Create differentiation

STATS

About 40% of new products fail, somewhat higher for consumer products, and somewhat lower for business-to-business products

For every 100 ideas: fewer than 70 make it through initial screening, fewer than 50 pass concept evaluation and testing. 30 little more through development, about 30 make it through testing, about 25 are commercialised. 15/25 (60%) successful, success rate is lower in consumer goods (51%) and as high as 65% in healthcare.

The best firms....

- Adopt a creative approach to new product innovation in order to fulfil existing and emerging customer needs
- Understand the trade-offs consumers are prepared to make between product attributes
- Test product concepts to evaluate consumer response
- Rely more on portfolio analysis for new product selection
- Evaluate the commercial potential of the new product
- Understand the brands positioning/the contribution of NPD to building brand equity
- Support the NPD launch with solid marketing communication and distribution support

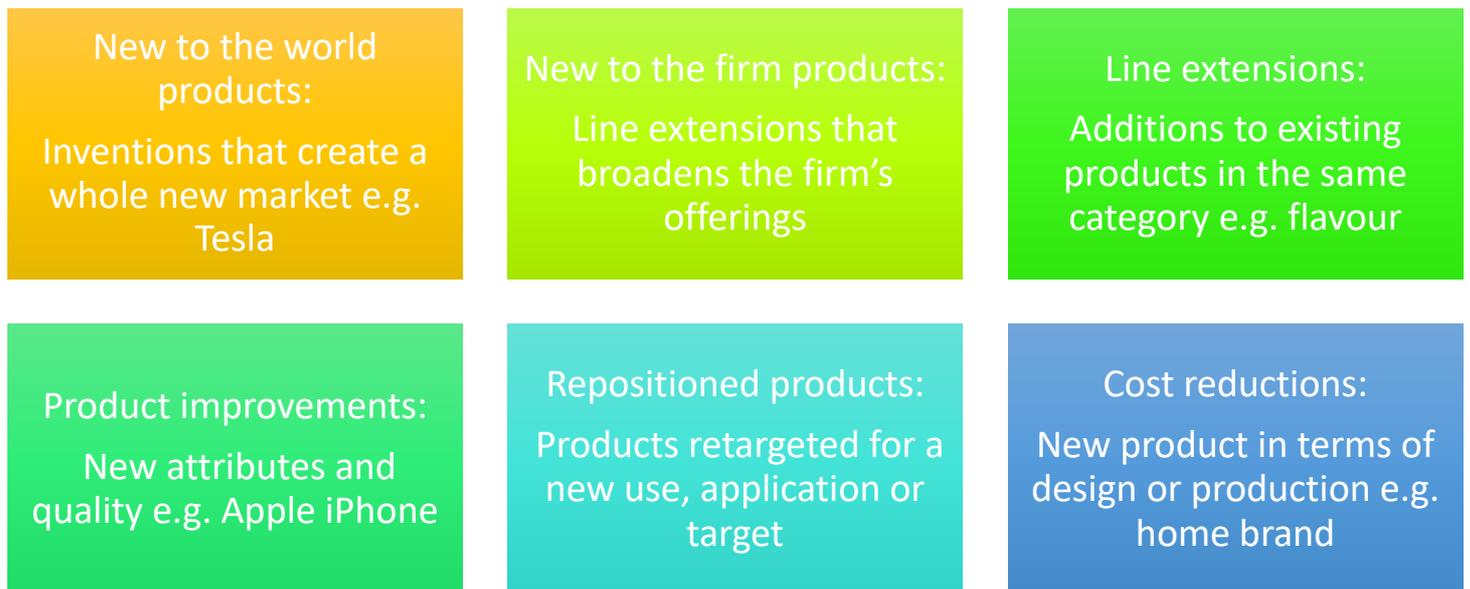
Globalisation and the new product

Increasing number of organisations are moving towards centralised innovation hubs e.g. Philippines, allows firms to leverage their new product skills across their subsidiaries
Global innovation culture – being aware of differences in business/cultural environment and being open to global markets = important to success, becoming more centralised e.g. apple

The new products process is all about teams

- A cross-functional team with personnel from various departments
- All members of the team make a contribution to the new products process
- Try to avoid narrow functional viewpoints and stereotypes

WHAT IS A NEW PRODUCT?



Varying degrees of risk + Risk/Return trade-off

THE NEW PRODUCT PROCESS

PHASE 1: OPPORTUNITY IDENTIFICATION/SELECTION

Can start from a trend, problem, competitor's move → focus = mission statement

Ways to identify opportunities:

- Find another location/venue – market opportunity
- Leverage the firm's strength in a new area
- Identify a fast-growing need and adapt your product to that need
- Find a 'new to the firm' industry e.g. Disney from movies to theme parks

Research, evaluate, validate and rank them as opportunities. Formularise it and ensure it actually fits to the organisational charter and product portfolio (e.g. on a concept board)

Activities that feed strategic planning for new products

- Ongoing marketing planning:
 - o A desire to enter into a growing category
 - o To target a new segment of consumers
 - o To extend a brand into new product categories
 - E.g. To meet the product offering of a new aggressive competitor
- Ongoing corporate planning
 - o To offer more environmental sustainability etc.
 - E.g. Senior management adopts a strategy to own a new category, nestle introducing a deodorant or washing category.
- Special opportunity analysis (going beyond the silo-mind)
 - o Recognising a resource skill is available in a specific team or division

Identified opportunities process

Being sorted into 4 categories

1. An underutilised resource: manufacturing process, an operation, strong franchise
2. A new resource: new material with many potential uses
3. External mandate: stagnant market combined with competitive threat
4. Internal mandate: new products used to close long-term sales gaps or senior management desires
 - a. Trends that are driving NPD: co-creation, virtual reality, wearable technology, customisation, connectivity, obesity, ageing population, sustainability

Product platform planning

Product families that share similarities in design, development or production process that enable new products to be developed efficiently (different types/flavours)

- Helpful in developing more feasible product lines to gain competitive advantage

Considerations

1. Situational analysis: external environment, PESTLE
2. Consumer problems and unmet needs
3. Emerging trends
4. Product platforms
5. Product portfolio analysis
6. Competitive activity

	Background
	Key ideas from the situation analysis, special forces such as managerial dicta, reasons for preparing a new PIC at this time
PIC	Focus
<i>Mechanism to identify NPD opportunity</i>	At least one clear technology dimension and one clear market dimension. Match and have good potential.
	Goals-objectives
	What the project will accomplish, either ST as objectives or LT as goals. Evaluation measurements
	Guidelines
	Any rules or requirements imposed by the situation or by upper management, innovativeness, order of market entry etc.

PHASE 2: CONCEPT GENERATION

Delivers to those ^, ideate it. Utilises creative tools and analytical methods (co-joint & factor, divergent/convergent thinking) to identify the concepts suitability.

- Select a high potential/urgency opportunity, begin customer involvement
- Collect available and suitable new product concepts, develop new ones
- Identify the opportunities that solve the consumer or business problem