Product Development Process - Developing New Market Offerings

Companies first find the target market than segment and then customers. After these companies go about developing products, which may be product modification or it may be a completely new product. Product offerings are increasing every year as consumers are looking for more and more variety of products. Companies which are unable to churn out new products fall back on competition and suffer the consequences. Companies face danger not just from competitors but consumer needs, technology, and product life cycle. New product development has its share of challenges. Research shows that 95 percent of new products fail in USA and in Europe failure rate is 90 percent.

Organizational set up has to be conducive to support new product development. Foremost companies must allocate funds for research and development, the conventional way is the percent of sales technique. Others chose to allow employees dedicate a certain amount of work time on new product development. Companies next have to organize the process of development. This can be done by product managers with new product development experience or by cross functional team with members chosen from various departments having the knack of developing new products.

Nowadays, companies are following stage process for product development.

1. The 1st stage is **idea generation** that is the search for new products. Companies pay a particular focus on customer needs and demands to decide on the new product. Idea generation can also be done by studying competitor's product. Companies try to learn why competitor's product ticks with consumer or what more customers want from that product. Companies also look at top management for idea generation. For example, Steve Jobs of Apple is known to participate actively in an idea generation. Research groups comprising of scientist, patent holders, colleges and universities also serve as the base for idea generation.
2. The 2nd stage is **idea screening**. Not all new ideas proposed can be converted into products. Companies list ideas into three categories promising ideas, marginal ideas and rejects. Promising ideas are further process by screening committee to be ready for the next stage. Screening should avoid the error where good ideas are dropped due to bias towards the idea generator. Another commonly occurring error is encouragement to a commercially unviable idea. Therefore, extra precautions are necessary during the screening process.
3. The 3rd stage begins when ideas move into the **development process**. Here a product idea is converted into several product concepts. Out of several product concepts, the one which looks fit is then placed against competitors to finalize marketing and positioning strategy. Product concept is introduced to a focus group of customer in a form of proto-type to understand their reaction.
4. The 4th stage involves **developing of marketing strategy for new product**. The marketing strategy involves evaluation of market size, product demand, growth potential, profit estimate in first few years. Further marketing strategy plan is developed with the launch of product, selection of distribution channel and budgetary requirements for the 1st year.
5. The 5th stage involves the **development of the business model around the new product**. Business models start with estimation of sales, frequency of purchase, and nature of business. Next estimation of cost and expense involve in production and distribution of new product. In that basis profit estimations are reached. Discounted cash flow and other methods are used to understand feasibility of new product.
6. The 6th stage involves the actual **production of new product**. Here more than one possible product are created, from proto-type to finalized products are produced. Decisions are taken from operation point of view whether is technically and commercially feasible to continue production. If analysis is showing cost not within the estimate then project is abandoned.

7. The 7th stage involves **market testing of new product**. The new product is ready with brand name, packaging, price to capture space in consumer's mind.
8. The 8th stage involves launching of product across target market backed by a proper marketing and strategy plan. This stage is called **commercialization phase**.

Introduction of new product is part of survival technique for any firm. And with very high failure rate companies have to follow a scientific process to create new market offerings.

Introducing and Naming New Products and Brand Extension

For a given company, there can be variety of product and services under different brands. Brand-product matrix is used to better understand current offering of the company. This matrix helps companies understand product line (product category) and brand portfolio (brands for different products). Similarly, brand hierarchy concept helps companies understand association among offered brands. Brand product matrix and brand hierarchy are essential tools for companies when they are looking for brand extension or launching new products. But they are factors which affect brand extension and naming of product.

Typically, any given company would fall in any of the following four categories in terms future expansion strategies; with current products and current market companies deal with market penetration strategy; with new products and current market companies deal with product development strategies; with current products and new market companies deal with market development strategy; and with new products and new market companies deal with diversification strategy. Clearly companies have to tackle tactical and strategically brand extension and naming of new products almost at any stage of growth.

For a given brand extension, it can be in form, where companies decide to expand product category under current parent brand family. This sort of extension may be through adding new flavor, different size packing. Another form of brand extension is category extension, here companies introduce new product category this may or may not be under the parent brand. Companies while introducing new brand has option either to create a new brand altogether or extend the current parent brand or combination of parent brand as well as new brand.

Although there is high rate of failure for introduction of new brands, companies do try to expand product category or introduce new product category at some point. Success of this has many advantages for the company.

1. It enhances how consumer look at brand, if brand has strong consumer brand equity then new product would have high rate acceptance to further strengthen brand image.
2. If a corporate brand or product brand, known for quality and robustness introduces a new product then this product has more recognition in consumer as they are aware of credibility thereby reducing risk associated with new product.
3. If brand extension is due to great demand for the brand among consumers, then even distribution channel is more welcoming for the new product.
4. Cost associated with marketing communication and sales promotion for new product as brand extension is reduced as consumers are already aware of the parent brand.
5. Brand extension again helps eliminating cost associated with research and development of altogether new product and packaging of the new product.

Brand extensions also facilitates in different ways process of firming position of parent brand in mind of consumer. It helps parent brand state its true positioning in the market. It helps cater to new customers there by creating exposure for parent brand in consumer mind. It helps rejuvenate the parent brand, meaning it increases brand awareness and brand image and lead way to further brand extension programs.

Brand extension also has share of disadvantages. First with increase in available product it can create uncertainty in consumer mind as to which product is right for her. Second, distribution channel maybe overwhelmed with product offering from different brands that they may not encourage introduction of another brand extension. Third, if brand extension is too much success then it may jump on current sales of parent brand, if brand extension fails position of parent brand would also suffer in the market.

From the above it is clear that brand extension have advantages as well as disadvantages. But for any brand extension strategy to succeed companies need to comprehend current brand knowledge and also undertake market research to clearly understand consumer expectation before coming to brand extension decision.

Innovation and Product Management

Innovation is the name of the game as far as companies in the 21st century are concerned. To compete effectively in the marketplace of this decade, companies need to either innovate or perish. Hence, innovation is the latest buzzword among the corporates. **The innovation cycle as applied to product management consists of three stages:**

- The Idea Generation
- Idea Conversion, and
- Idea Diffusion

For effective innovation to work in favour of the company these three stages have to be managed well and this is where the product manager comes into the picture. The product manager has to ensure that there is no breakages in the innovation value chain as represented by these three stages. Hence, the role of the product manager is to make sure that the entire chain is strong since any chain is as strong as its weakest link.

The linkages between the three stages of the innovation cycle are described here. First, the idea generation stage is the phase where the emphasis should be on generating ideas from various sources and from within the business units and from across the company and even from the customers and end users. The idea conversion stage is the phase where the lists of new ideas thus generated have to be screened for commercial viability and the kind of business that they bring to the company. The idea conversion stage is also the phase where the ideas generated have to be vetted for their technical feasibility and whether the company has the resources and the bandwidth to take the ideas to the next stage and from there the product development phase.

Finally, the idea diffusion stage is the phase where the ideas thus sourced have to be vetted and funded and approvals taken from the various internal stakeholders as well as external ones. The idea diffusion stage represents the end point of the idea stage and hence the product manager has to ensure that all these phases work together in one single unified link so as to minimize the friction between the various components in the chain.

Hence, this **innovation value chain is to be managed by the product manager who has the responsibility in the overall sense of bringing the product to the incubation stage**. Any company that is not able to manage the innovation value chain should consider setting up a product management team or hiring a product manager to manage this innovation value chain. The point here is the innovation value chain must be strengthened and a cohesive and coherent value proposition has to be evolved. For this, the product manager is required to take overall control of the product management function a subset of which is the task of managing the innovation value chain. In conclusion, the weaknesses in the innovation value chain must be eliminated by careful and thoughtful application of the management principles and this is where the product manager with his or her expertise in the process can help companies innovate better, faster and emerge stronger.

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