

# Marketing Strategy

*“The essence of strategy is choosing what not to do” - Michael Porter*



# *NEW PRODUCT DEVELOPMENT*

New product development (NPD) is an important part of an organization for sustainable growth and profits. New product development process varies from organization to organization. Leenders (2003:69) stated, NPD is the locus of the innovative potential of organizations. Every organization, regardless of its size, profitability, industry position pressurizes its stakeholders to renew, expand, or modify its product or service offerings.



## **New Product Development (NPD)**

New product development is a process in which a new product is created or modified with additional features. Kotler defined new product development as a process in which entirely new product is invented with new concept or brought changes in the existing product.

In other words, new product development is a process of creating a product that has never been developed by the company or a current team. Therefore new product development process includes a formalized planning or thought from the beginning stage of ideas down to market launch.



## Categories of New Product

According to the authors Marilyn A Stone and John Desmond, there are four categories of new products:

- **Major innovations:** Essentially it focuses on new user benefits to customers, often through the development of new technologies. For example iphone, home theatre meant for new markets rather than existing markets.
- **Product improvements:** It refers to the innovations within existing markets with intent to take market share from competitors rather than creating new primary demand. For example to bring some additional changes in the existing products like soaps – with new fragrance, toothpastes- with different combination of herbs or biscuits- with varied flavours.
- **Product additions:** It aims to present products with new limited features. This approach is commonly popular among small businesses. It covers product imitations of well established competitors who have spent money and time on research and development process. For example Nestle's Maggie

noodle is a well established product imitated by other brands.

- **Repositioned product:** basically it refers to introducing a product with a new image. For example Soft Drink Company introduced energy drinks, chocolate bars as energy bars.



## Key Elements of New Product Development Process

New product development process should be:

- Transparent
- Flexible and adaptable
- Support the corporate strategy
- Have strength to motivate organization
- Support the corporate culture of the organization
- Drive effective and efficient decision making
- Deliver desired results and also add value

Hence the end result of NPD process is to offer innovative products to the market quickly and efficiently.



## **Eight Steps in the New Product Development Process**



## **Idea Generation**

Each new product development process starts by generating ideas. Ideas should be gathered or identified from the internal and external sources.

## **Idea Screening**

At this stage, all the ideas should be carefully screened keeping in mind the company policy, objectives, strategies and resources. For instance- market potential, availability of finance, managerial ability, possible profitability, uniqueness of product et.al.

## **Concept Development & Testing**

Further, screened ideas should be develop into concept with alternatives. Company can find out the best alternative after testing. Testing process should be comprehensive to understand and communicate consumers' benefits, usage and perceived value.



**PRODUCT DEVELOPMENT**



## **Market Strategy Formulation**

At this level, marketing strategy should be designed on the basis of product concept and testing. Strategy should specify following details for the first year-

- description of the target market, planned value proposition, market share, profit goals and sales
- product price, distribution and marketing budget
- marketing mix strategy and long term plans

## **Business Analysis**

At this stage, Analyse and review sales, cost and profit projections in terms of satisfying the company's objectives. Once it meets the objectives, product can proceed to the next development stage.

## **Product Development**

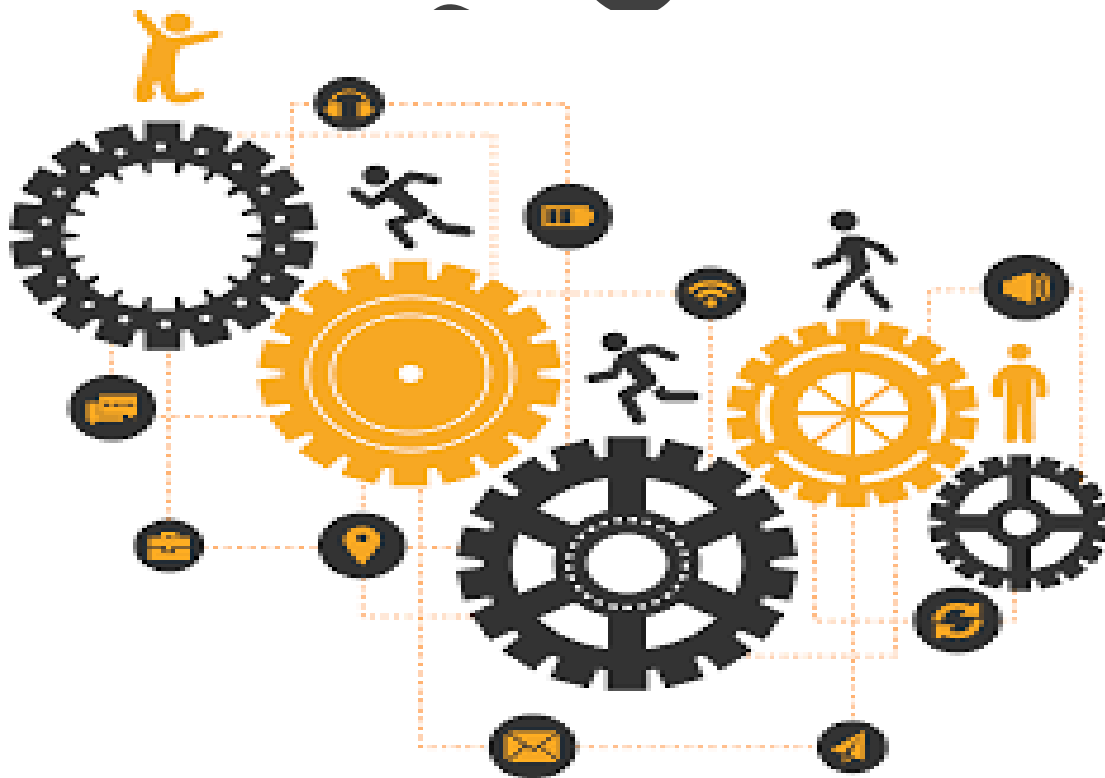
It is a stage where actual physical product is developed and product versions tested by research and development department. This stage may take time, as all prototypes should be tested and prerelease the final product.

## **Market Testing**

It is a stage at which company test product and its marketing strategy that includes product positioning, advertising, distribution, target marketing, packaging etc. After this stage company can take decision about the investment.

## **Commercialisation**

It is a final stage at which company decides about the introduction of final product. They have to decide- when, where and how to roll out new product.



## **Conclusion**

Based on the existing literature and research, eight major critical factors are responsible for the success of new product development:

- Top management support
- NPD strategies
- NPD teams
- NPD process
- Market orientation
- NPD speed
- Knowledge management
- Technology

## **WORK TO DO .....**

- Describe each step of new product development process.
- How will you select an appropriate idea for the NPD?
- Define brain storming.
- How information can be gathered from customers for a NPD?
- Consider the example of an energy drink. How can you generate new product ideas using attribute analysis?