

# Chapter 12

## **Developing New Products & Services**

- Identify the reasons firms create new products.
- Describe the various stages involved in developing a new product or service.

# Why New Products?



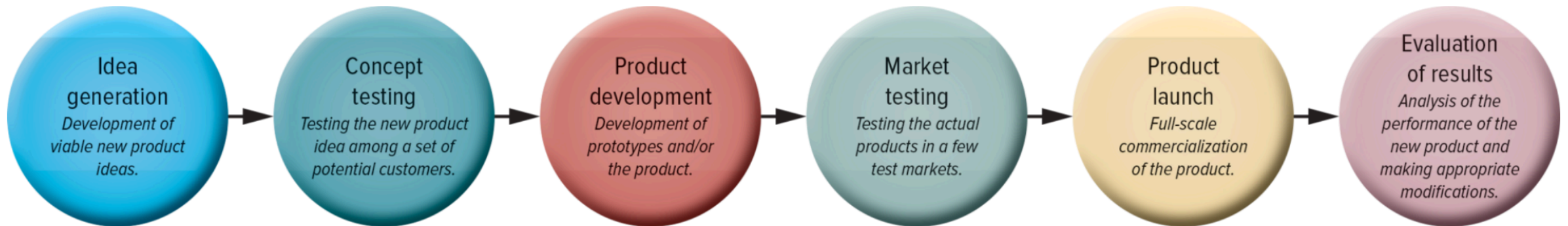
**Creating or maintaining a sustainable competitive advantage!!!**

**Pioneers** radically change competition and consumer preferences



# How Firms Develop New Products

In very general terms, these are the stages of new-product (or service) development:



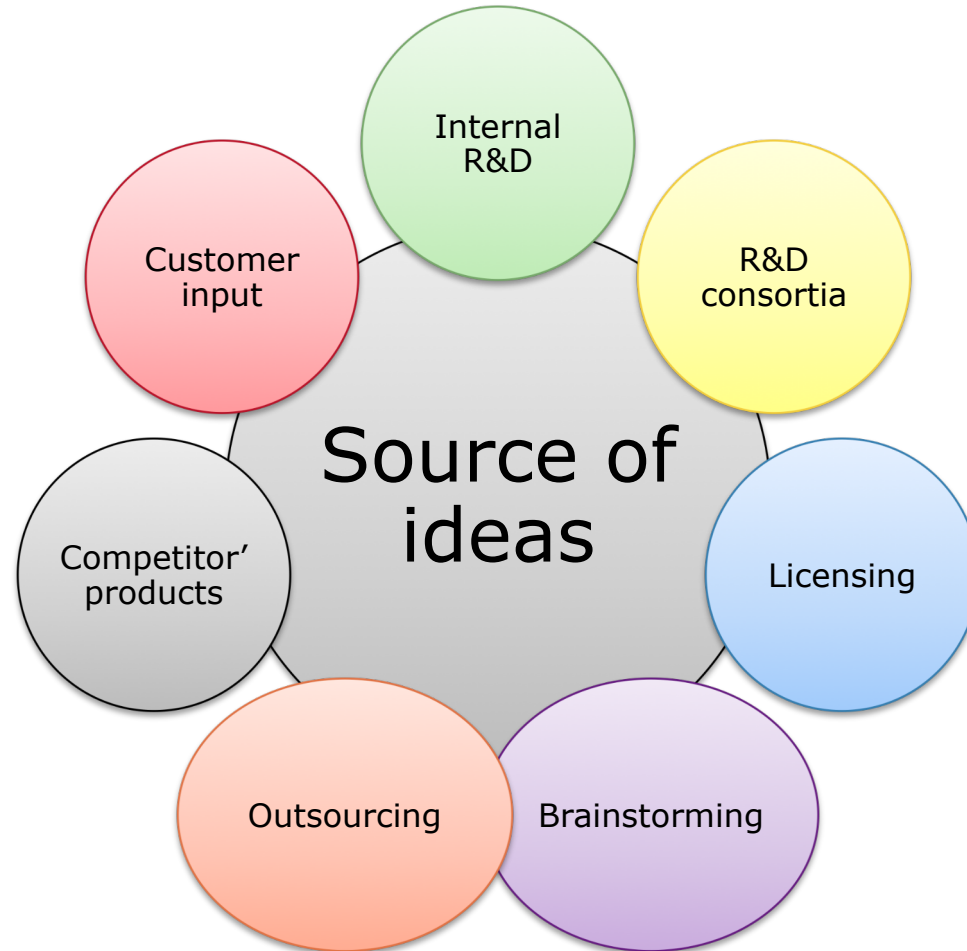
But even if you have a great idea, the new-product development process can become somewhat **messy, costly, and aimless** in the absence of a very clearly-articulated (and well-executed) new product development methodology!

# Failure is (almost) inevitable!

Microsoft didn't create **Internet Explorer** to be a way of downloading **Google Chrome** but...

[https://www.reddit.com/r/dataisbeautiful/comments/cxuah9/usage\\_share\\_of\\_internet\\_browsers\\_1996\\_2019\\_oc/](https://www.reddit.com/r/dataisbeautiful/comments/cxuah9/usage_share_of_internet_browsers_1996_2019_oc/)

# 1. Idea Generation





- High product development costs
- Often the source of technological products or breakthrough products



- Firms purchase the rights to technology or ideas from other research-intensive firms
- University research centers also often provide such licenses



# Brainstorming

- Groups work together to generate ideas
- No idea can be immediately dismissed



Leverage outside firms to generate new ideas



# Competitors' Products

- Reverse engineering
- Copycat products



Products with **patents** or other **proprietary protections** cannot be copied, so reverse engineered products must be substantively different from their source product.

# Customer Input



## 2. Concept testing

- Concept is a brief written description of the product
- Customers reactions determine whether or not it goes forward
- Triggers the marketing research process



- Prototype
- Alpha testing
  - Within the firm
- Beta testing
  - Uses potential customers



**Tesla To Skip Beta Development Phase And Start Building “Early-Release” Model 3s This Week:** <http://www.carscoops.com/2017/03/tesla-to-skip-beta-development-phase.html>

## 4. Market Testing

- **Premarket tests (product not in the market yet)**
  - Customers exposed
  - Customer surveyed
  - Firm makes decision
- **Test marketing (only for a limited geo area)**
  - Mini product launch
  - More \$\$\$
  - Market demand estimated

2017 CHEVROLET BOLT EV DISTRIBUTION PLAN



Dealer Ordering Month	In-Dealerships By*	States
October	December	CA, OR
December	February	CA, OR, MA, MD, VA
January	March	CA, OR, MA, MD, VA, NY, NJ
February	April	CA, OR, MA, MD, VA, NY, NJ, WA
March	May	CA, OR, MA, MD, VA, NY, NJ, WA, CT, ME, RI, VT, NH, CO
May	July	CA, OR, MA, MD, VA, NY, NJ, WA, CT, ME, RI, VT, NH, CO, IL, FL, AZ, PA
June	August	CA, OR, MA, MD, VA, NY, NJ, WA, CT, ME, RI, VT, NH, CO, IL, FL, AZ, PA, TX
July	September	ALL STATES



### Part art and part science

- Tech companies use events
  - Apple
  - Google
  - Airbnb
- Tesla did too!

Convey characteristics and **KEY BENEFITS** (which will convince buyers!)

## 6. Evaluation of Results

- Satisfaction of technical requirements
- Customer acceptance
- Satisfaction of the firm's **financial requirements**