

Managing New Product Development
Importance of New Products

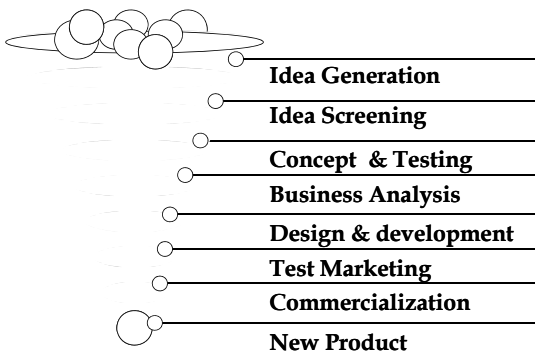
52% of companies' sales, and 46% of profits, result from products that did not exist 5 years ago.

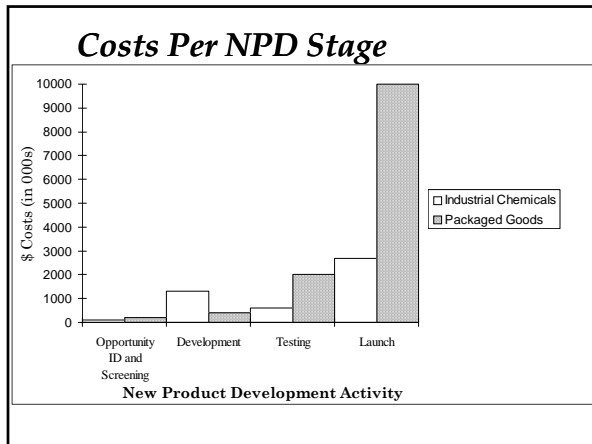
New product failure is common (95% in consumer goods!) and failure can cost \$\$\$s.

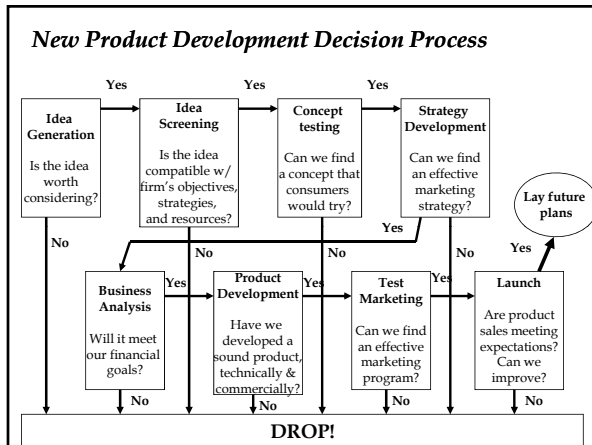
Iridium Satellite Telephone -\$7 billion;
Federal Express Zap Mail: -\$190 million;
RJR Premiere Cigarette: -\$250 million;
RCA Videodisk Player: -\$450 million.

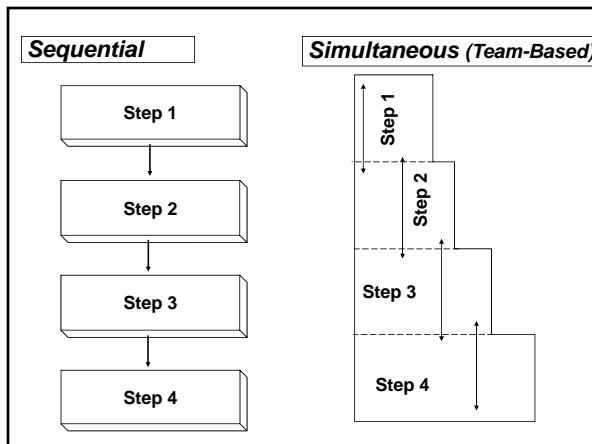
Why Do New Products Fail ?

New-Product Development Process









Organizational Alternatives for New Product Development

- New-product managers
 - Professionalize the new product development function
- A high-level new-product management committee
 - To review and approve proposals
- New-product development department
 - Headed by a manager who has substantial authority and access to top management.
- A venture team
 - A cross-functional group charged with developing a specific product.
 - Relieved of other duties; given a budget, a time frame, and a workplace.
- Stage-gate system
 - Divide the process into stages
 - At the end of each stage is a gate or checkpoint
 - Gatekeepers make one of four decisions: go, kill, hold, or recycle

Concept Development & Testing

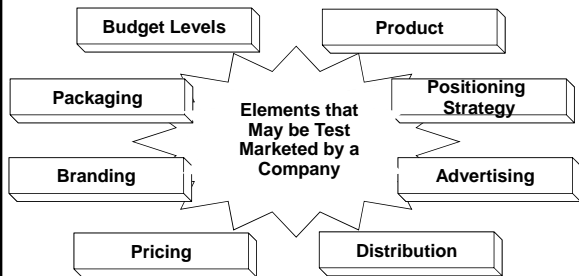
1. Develop Product Ideas into Alternative Product Concepts

2. Concept Testing - Test the Product Concepts with Groups of Target Customers

3. Choose the Best One

Test Marketing

Test Marketing is the Stage Where the Product and Marketing Program are Introduced into Realistic Market Settings.



Probability of Success

$$\text{Overall probability of success} = \text{Probability of technical completion} \times \text{Probability of commercialization given technical completion} \times \text{Probability of economic success given commercialization}$$

Making New Product a Success

- * A superior product that delivers *unique benefits to the customer*.
- * A well-defined product concept prior to development.
- * Quality execution of technical activities.
- * Technical and marketing synergy.
- * Quality formulation and execution of marketing strategies.

Problem

"In too many firms, projects seem to acquire a life of their own. They proceed like an express train, careening down the track, slowing down at the stations (review points), but never intending to stop until they reach their ultimate destination, market launch" (Cooper 1993, p.166).
