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NEW PRODUCT DEVELOPMENT PROCESS – PATHS TO IMPLEMENTATION

The days of being product-focused instead of customer-focused have all but disappeared as the cost of bringing goods and services to the marketplace amplify the treacherous magnitude of mistakes. The old notion of “build it and they will come” is insufficient in today’s competitive environment.

At ADR, we believe that Product Development is a customer-focused PROCESS that when done correctly and systematically will provide you with the business information you need to make intelligent decisions.

Idea Generation

The process starts with idea generation. Our **JumpStart Workshops** provide the ideal scenario for the creative process. Getting a team of marketing, R&D, field sales, and field service people together in a creative environment proves to be a welcome and rewarding start to the process. We’ve also seen employee **Idea Fairs** and **Venture Teams** work well during this phase of the project.

- **100-500 ideas**
- **Use of all creative resources (ad agency, employees from R & D, sales, service, marketing...vendors)**
- **Use of customer participants can create a partnering, synergistic, relationship**

Ideas should demonstrate filling a customer need, meeting an identified opportunity, or creating a technical advance.

Idea Prioritization

One of the most difficult stages of the process is to prioritize ideas. Again, focusing on customer needs (especially unmet needs and opportunities) provides a strong, valid, underpinning to this part of the process.

- **Set criteria guidelines to screen down ideas**
- **Tie to *benefits*, or perhaps to key market segments**
- **Describe as fully as possible**

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Concept Refinement

For those concepts that pass initial internal “logic tests” to move into a more stringent part of the process, it quickly becomes important to test them against real customers to understand what the benefits and barriers to acceptance might be.

Focused group discussions or semi-structured individual interviews with target customers are crucial.

The purpose of these interviews is to determine initial, partially informed reactions that will provide an understanding of:

- **Barriers**
- **Benefits**
- **How to communicate**
- **Potential price ranges**
- **Name, nomenclature, etc.**

Concept Screening

For companies with a large portfolio of new products and services, a process for screening concepts will help save development time and money.

- **Assess through a quick, short questionnaire**
- **Test against other concepts or concept variations**
- **Prioritize for further consideration**
- **Develop a standardized database of screening results**
- **Tools include:**
 - Customer Panels
 - Web Surveys
 - Omnibus Surveys

What is a Concept Test?

A Concept Test is the process of assessing market potential prior to full scale development of an idea for a new product or service

Why Do Concept Tests?

- The primary reason for doing concept tests is to improve market potential.
 - **A concept test will assist in making a Go/No-Go decision by rejecting concepts that don't meet benchmark requirements in testing**
 - Determine which concepts should go on through full design and roll out
 - Prioritize product/service concepts in terms of mid and long-range potential
 - **Concept testing will determine positioning in target markets compared to other similar products and services in the competitive set**
 - Assess general interest, likes, dislikes
 - Test product features, benefits, barriers
 - **Concept testing will assist in developing marketing strategies that will optimize the concept's opportunity**
 - **Concept tests help establish price**
 - What is the impact of price on purchase?
 - What is the unit demand at various price levels?
 - Price-Value and competitive positioning
 - Determine Market Potential/Forecast Demand
 - **A concept test assesses demand, usage at various price levels**
 - **A concept test helps estimate trial, repeat and volume**



Concept Optimization

For products and services passing the initial refinement and screening phases, the next phase in the development process applies stronger rigor to determining the market potential, the target market, the competitive set and the initial positioning of the products and services moving on into the development process.

- **Concept Testing:**
 - Copy
 - Price
 - Competitive set
 - Brand names, nomenclature
 - Initial targeting/positioning
 - Forecasting
- **Trial Tests:**
 - Technical trial to de-bug and fine-tune
 - Market trial to simulate purchase paradigm

Business Plan Creation

Once a concept makes it through the optimization phase of product development, it is time to start creating the business plan that will ultimately dictate success.

- **Brand and marketing strategy**
- **Ad copy development**
- **Developmental costs/payback period**
- **Manufacturing/distribution/operational concerns and realistic expectations**

How are Concept Tests Done?

- **Universe is Determined**
- **Methodology is selected**
 - Suit the method to the business actions/needs
 - Use simplest method possible
 - Use method that resembles actual behavior
- **Data is Collected**
- **Statistical Techniques are applied**
 - Determine Optimum Pricing
 - Assess Demand at Various Levels
 - Describe Competitive Set
 - Report Strengths/Weaknesses
- **Conclusions/Recommendations are made back to Operations/Marketing**



Choosing Appropriate Designs

When designing a product concept test, there are a number of research designs to choose from, depending on budget constraints as well as research requirements.

Each method has its **A**dvantages and **D**isadvantages:

- **Phone**
 - **A:** Simple concept for respondent to understand
 - **A:** Extremely low incidence populations you don't want to "lose" w/multi-stage design
- **Web or Mail**
 - **A:** Allows the respondent to see/read/react
 - **D:** Low response rates require over-recruiting (cost)
 - **D:** Potential response bias
- **Phone-Mail, Phone-Fax, Phone-email, Phone-Mail-Phone**
 - **A:** Allows the respondent to see/read/react
 - **D:** Long questionnaire, worksheet (fatigue)
 - **D:** Multi-staged design adds time
 - **D:** Must over-recruit (cost)
- **Recruit to Central Location**
 - **A:** Allows the respondent needs to see/touch/try
 - **A:** Can accommodate complex exercises (i.e. conjoint trade-offs)
 - **A:** Usually eliminates the need for a multi-staged design
 - **D:** Requires over-recruitment

Key Design Issues to Consider

- **Fine Tune the Objectives**
 - Assessing Demand
 - Establishing Price
 - Improving Competitive Position
 - Determining Price/Value of Service
- **Relevant Elements of Price**
 - Monthly access fees
 - Transport charges
 - Alternative price levels

A concept test typically keeps “back-end” analytics in mind when determining the study design. Typical analytics might include:

Discriminant Analysis

- Determines the characteristics which differentiate three or more objects (e.g., brands, products, services, consumer groups).
 - Shows perceived strengths and weaknesses of brands, products, services or consumer groups.
 - Predicts object/group membership.
- Results are summarized in a two-dimensional picture known as a Discriminant Map.
- Shows how objects are positioned:
 - Relative to each other (how are they similar and how are they different)
 - Relative to the items (what items are most descriptive of the objects)

Price Sensitivity Measurement

- Designed to determine the expected range of prices for a category, and establish the bargain/premium associations of particular price points.
 - What do consumers expect to pay for a product or service?
 - How much elasticity is there in the price?
 - More appropriate early in the development process.

Extended Price Sensitivity

- Market potential and pricing can be evaluated simultaneously.
- Determine purchase interest at the prices which each respondent perceives to be premium and a bargain.
- Convert purchase interest measures into a purchase probability score.



Product Development White Paper

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- **Defining the Respondent Universe**
 - What does universe look like?
 - Geographic segments
 - Nested quotas
 - Decision-maker vs. end-user
 - Company size/Household size
 - Usage (size of customer)
 - Company HQ vs. satellite operation
 - Multiple influencers on the decision?
 - Levels of use
- **What Type of Sampling to Consider**
 - Oversampling?
 - Quota Sampling?
 - Stratified Random Sample
- **Determine Your Sample Frame**
 - Trade-offs between listed (targeted sample) and random
- **What do we know of the Competitive Set?**
 - What and who are existing/likely competitors?
 - What are their characteristics?
 - What is their price?
 - How are they branded?

Typical Questionnaire Sequence

- **Comprehension**
- **Purchase intentions**
- **Anticipated likes and dislikes**
- **Perceived uniqueness**
- **Believability**
- **Perceived value**
- **Perceptions of product attributes**
- **Attribute importance ratings**
- **Price sensitivity**
- **Anticipated usage**
- **Demographics/Firmographics**

Other typical analytical tools:

Extended Importance/Performance Mapping

- Provides a graphic illustration of product/service/company performance on various attributes.
- Consumer priorities are determined in two ways:
 - Stated importance - They are asked directly to tell us how important various service aspects are.
 - Demonstrated, or derived, importance - Correlation analysis is used to relate overall company ratings to ratings on the various service aspects.
- Use of both measures provides far more powerful interpretation.
- Adding a performance dimension completes the picture.

Leverage Analysis

- Helps identify a concept's leveragable strengths against specific existing products/services.
 - The map displays the relative importance of each characteristic coupled with the performance of the selected service option and expected performance of the concept.
 - Provides information about which strengths to leverage when marketing the concept to users of the existing service option.

Conjoint Analysis

- A class of techniques used to address the following types of categories:
 - Understanding market preferences (Why do consumers buy the products/services they do?)
 - Explore impact of consumer trade-offs in the purchase decision (i.e., lower cost for less service vs. higher cost for more service)
 - Predicting market choices
 - Developing market strategies
 - Segmenting the market
- **How is Conjoint Data Collected?**
 - Telephone interview (Self-Explicated)
 - In-Person interview (Full-Profile or Choice)
- **Predicting Market Choices (example)**
 - Suit (1, 2, 3, 4)
 - Price (\$125, \$125, \$150, \$100)
 - Fabric (Wool, Linen, Wool, Rayon)
 - Style (W, X, Y, Z)
 - Designer (A, B, C, D)
- **Overall Utility Score (105, 209, 154, 138)**
- **Share of Choice (13%, 42%, 20%, 25%)**



New Product Development Pitfalls to Avoid

- **Not involving the "Right People at the Right Time:**
 - For instance, not having a new products group, not having a team approach, not bringing in "experts" at critical times, etc.
- **Not having a champion.**
- **Not having upper management support.**
 - Not being realistic on market plan estimates/goals, i.e., distribution levels or advertising budgets.
 - Avoid sequential steps (try to run parallel steps to shorten cycle).
 - Continuing with a product which has no need/use.

How Does ADR do Concept Testing?

While there are certainly industry standards to concept test design and analysis, we find our clients typically need a fresh view in designing the best concept testing solution for their needs.

- **Assess business objectives**
- **Recommend approach that:**
 - Meets objectives
 - Is appropriate
 - Utilizes analytical strengths to provide answers to management
- **No "off-the-shelf" solutions**

Why go through such a process?

Incorporating Concept Testing into the Product Development Cycle is an important step toward insuring success...but it takes time and money. The business reality today speaks volumes for new products that hit the market without a clear target, fulfilling no customer need and providing no new benefit. With even the simplest form of Concept Screening, these costly mistakes can be avoided with a Product Development Process that is adhered to...a bottom line approach that takes the guess work out of implementation.

ADR Associates, Inc

...Helping Connect With Customers

ADR Associates is a corporation founded in 1994 specializing in strategic positioning, market research and communication counsel. Based at Red Hawk Ranch, a unique executive off-site location, ADR brings the customer voice into management's focus. Helping clients understand customer perceptions is often the foundation of ADR's involvement and becomes a driving force for creating and fine-tuning successful business strategies.

Red Hawk Ranch is headquartered in California's Temecula Valley Wine Region. Visit us at www.redhawkrancho.com.