

New Product Development

The world of business doesn't stand still – the market is always changing and market opportunities only have a certain shelf life.

Companies who want to develop have to choose how to do it. The options are shown in the matrix diagram. You can either do more of the same harder, sell new stuff to your existing customers or find new customers for your existing products.

What do people do in practice? 3 times as many companies try to find new markets for their existing products as look at developing new products for their existing customers. This really makes life more difficult than it needs be. The key issue is how much it costs to acquire a customer. Research shows it costs 7-10 times as much to create a new customer as to sell to an existing one.

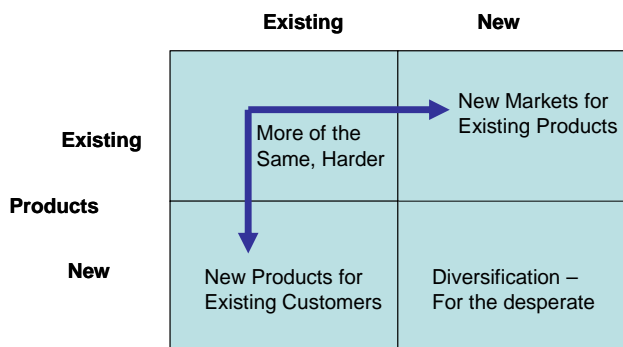
So it's often cheaper and better to find or develop new products for your existing customer base than to conquer new markets. Why are companies so reluctant to do this?

Partly because they are wedded to their own babies, partly because they are reluctant to dilute their brand with other people's products and partly because they don't know how to SYSTEMATICALLY develop new products.

In essence new product development is a 4 stage process

1. Talk to the customers
2. Find out what they want
3. Work out how to do it without going bust
4. Do it

The actual product that the customer buys is often a joint creation between someone knowledgeable in their team and someone on ours who can see a bit beyond the current offerings. All we have to do is to make this more systematic. Start by a picking a mixture of customers – say 2 large ones, 2



adventurous ones and 2 you don't know well.

Ring them up and say you're looking at how you can improve the quality of what you supply to them and could you have a chat. You can do this on the phone but its better to go and see them because you will pick up ideas that you won't get doing it remotely. I've been at this since 1977 - experience teaches that the ideas come out of the conversation and if its held at the point of use so much the better. If you do it yourself as the business owner they will nearly always see you.

Devise a checklist of the items that you want to cover – 6-8 areas are enough and just go and talk to them. See what comes up; are there any common themes. Afterwards sit with your colleagues, brainstorm around the ideas and filter them according to

- how easy is it for you to do (and how extensible is the product idea)
- how big is the potential market
- how well it fits with your existing market positioning and branding.

Devise a shortlist and telephone a sample of your customer base. If you have 50 customers ring them all up – if you have thousands then talk to a representative sample. Pick 2 possibilities – develop one and buy in a complementary product for the other to kick start the process.

Focus on the customer's needs – particularly how they use your product – you may get some surprises. Then talk about how you could develop the product or service – new materials, new processes, and new features to deliver some real benefit to the customer.

If you make the most of your existing customer relationships to clarify what your customers expect or want from you, you may save yourself a fortune prospecting in new markets that don't know or trust you. Good luck

Alan Rae has been in New Product Development and licensing since 1977. His experience spans mechanical handling, software (CAD and production control) and consultancy and training products for small businesses in the fields of IT, e-business, marketing and leadership. He is a chartered marketer, a Technology Means Business accredited adviser and is on the Business Link national consultants register. His web site is www.howtodobusiness.com

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