

Applied Topics in Marketing: Innovation und Marketing 2 (MA) - 040102

Contact details

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Office hours: by appointment

Classes: Wednesdays, starting on November 23rd, HS 17
23.11.2022: 09:45-14:45
07.12.2022: 09:45-11:15
14.12.2022: 09:45-16:30
18.01.2023: 09:45-16:00
25.01.2023: 09:45-16:00

Course Objectives and Content

Course Objectives

The learning objectives of this course are as follows:

- to understand and apply core concepts of new product development and marketing
- to apply basic principles of new product development and new product marketing
- obtain hands-on skills through working on a real-life new product development project

Content

This course builds on the first course (part A) covers topics that are theoretically grounded in the marketing, innovation, psychology, and management literature. While the aim of the course is to provide students with a deep understanding of new product development and new product marketing process, highlighting the inherent risks and different strategies for overcoming them, the aim of the present course (part B) is to transfer theoretical concepts into practice by having students work on a real new product development project, and thus develop a new product (concept) on their own.

Course Policy

Be prepared: Please read the assigned text and watch the video clips before each meeting.

Respect deadlines: Please submit your assignments before the deadline. Late assignments will not be accepted.

Be honest: Be honest in all your submissions. Plagiarism and cheating will be detected and penalized with failure.

NEW PRODUCT DEVELOPMENT (NPD) PROJECT

The project is aimed at enhancing students' learning through direct, hands-on experience with key managerial tasks associated with the development of a new product – from the initial idea/opportunity generation phase to more advance development stages. Students are required to employ a variety of analytic and creativity tools at various stages of the development project. The outcome of the process is a new product concept (prototype) along with several accompanying market analyses—ranging from industry analyses, alternative product concepts, test of consumer reactions to the concepts, to subsequent marketing and brand strategy concepts. Furthermore, through the evaluation of other teams' project reports, students should strengthen their analytical skills pertaining the soundness of NPD projects, and increase their ability to assess the prospects of new products (prior to launch).

Beware that not all necessary steps will be covered in the course. I therefore strongly recommend the book by Merle Crawford and Anthony C. di Benedetto on New Product Development (although the book is not mandatory; *New Products Management*, McGraw-Hill ISBN: 978-007-126336-8). Note that you do not follow and report all NPD stages as outlined in the book. You can concentrate on the major NPD stages (→ you! decide what is important; please also see outline of NPD report below); but make sure that your report and presentation is comprehensive and convincing; in an optimal case, your NPD project report could “convince” venture capitalists.

The main task of this course is that teams develop a new product concept. You are free to decide which product you want to develop. However, please keep in mind, that the project should be technically feasible. From experience, we know that consumers are particularly good in developing products in product categories where they have substantial use experience, which is often consumer goods (but you are not limited to the consumer goods industry).

Time line

November 23 th	Sign up your team. Each team should consist of (up to) 5 students.
December 7 th	Submit a one page progress report, the report should include what has been done thus far, it should also include the perceived market opportunity and the core new product idea; possibly already (various) product concepts; an expected time line for completion (project plan) should also be attached. This progress report will not be graded – but will be useful to avoid procrastination. Question and Answer Session
December 14 th	Each team presents market opportunities and their initial project ideas.
January 18 th and 25 th	Hand in the NPD project report; hand in a hardcopy at the beginning of the class, please also upload the reports as well as the Powerpoint slides. Late submissions will not be accepted.

On December 14th each team will do a 15-20 minutes presentation of their new product project, which is followed by approx. 15 minutes of discussion. Each member will present a section of the presentation. It is better to present not only one project but ideally two projects (in case that one project receives negative feedback; it is possible to discuss up to three ideas). If your team cannot present at a specific time or day, please let me know (so that I can adapt the schedule accordingly).

On January 18th and 25th, the final presentations will take place. Each time will be given up to 20 minutes for their project presentation which is followed by a discussion.

New Product Project¹ - Recommended Steps

1. *Trend-spotting*: Select an industry. Spot a market opportunity by reading newspapers/articles and keeping your eyes open. You can also use social media for this purpose (netnography) or websites such as google trends. For example, you might come across new technological advances that could be exploited; or you might discover new usage situations for existing products that are not yet widely spread in the local market; you might also observe changing cultural patterns among emerging consumer groups that might be a starting point for a new product (e.g., young Urban single, retired rich, etc.)
2. *Problem-based ideation*: Alternatively, you can observe people having difficulties/frustrations in performing an everyday task. For instance, spilling food on clothes while eating on the go, or people that are tired to carrying their suitcases.
3. *Concepts*: Use the concept generation technique of your choice to develop variations of the basic concept with respect to different product form, features, benefits, positioning, and customer target. Write down 3 to 5 written concepts. Briefly explain the logic by which you narrowed down your 3 to 5 concept finalists, and also the concept generation technique that you used to come up with each of these concepts.

¹ This project assignment is adapted from Professors Chandrasekaran (2005) and Badame (2012) from USC.

4. *Testing*: Each team member can interview 5 prospective customers to obtain their reactions to the 3-5 alternative concepts. Explain your research sample and procedures, and describe consumers' overall reactions, specific likes and dislikes, confusion, and purchase intentions.
5. *Prototype*: Following IDEO, you should develop a prototype of your concept. If possible, use real materials (e.g., clay, paper, etc.) or art software (e.g., photoshop) to come up with the prototype. The prototype should be as realistic as possible. Avoid vague concepts and unfeasible concepts.
6. *Evaluation*: Evaluate the concepts/prototypes based on the consumer reactions, firm characteristics and market opportunities, and select the winning concept.
7. *Marketing Mix*: Describe the general elements of the marketing mix (branding, pricing, packaging, distribution and promotion); put special focus to the branding elements (what concrete steps would you take to get awareness in the market. Describe the consistency, or lack of, in the positioning with respect to all these elements.

Format

Your paper should be organized in the form of the steps generally followed in new product development. Use a title page (including the title of your project, your names, professor's name, and the date), table of contents, and an executive summary (the latter should not exceed one page). Include an appendix for tables and figures and a complete list of references; side information, if perceived as relevant, can also be moved to an Appendix. The total length of your paper should not exceed 15 pages of typewritten, double spaced text (Times New Roman, Font. 11; excluding title page, table of contents, introductory section (objectives, overview, logic and structure of your paper), references, appendices, any exhibits, and other supporting materials that you might wish to include; try to keep the length of each section in balance. Note that one learning central learning is to communicate in a concise and sharp manner. You do not need long documents to make your point!

Evaluation Criteria

1. Assessment of the market opportunity
2. Quality of Idea (creativity) and market potential
3. Quality of concept development and evaluation research
4. NPD strategy comprehensiveness
5. Thoroughness of research (use of primary and secondary research sources)
6. Communication quality, organization, and clarity; note that tight is right!
7. Team presentations of report
8. Peer evaluation report

NPD Project Report Components

Not *all* of the following analyses need to be conducted; they should serve as an inspiration for the report and should increase clarity. When writing your report, remember to be concise and to the point – avoid irrelevant information.

Executive Summary – should briefly highlight extracts from the opportunity (situation, market) analysis, product concept description, target markets, marketing strategies, and expectations.

Opportunity Identification and Situation Analysis – provide relevant background data on the industry (secondary and/or primary data); you can conduct an analysis of competitors/competition, customers, value chain; you might want develop an opportunity and threat analysis (SWOT) that summarizes your NDP opportunity. Your report might contain the following analyses:

- Industry/Market: Industry/market size and potential; trends; technological changes; legal/regulatory issues
- Competition in the market: Major competitors in the marketplace; competitive strategies; market shares (if available), etc.
- Value chain analyses: Partners who are included in the value chain (i.e., suppliers, distributors, retailers, customer groups that have some influence on the customer experience (media, government, activist organizations, etc.)
- Customer insights: Customer needs/perceptions, primary and secondary target markets, trends, perceptual maps
- Financial considerations: size of the market, revenue potential, can use profile sheet, profitability of firms operating in the market/projections; “it is worth doing?”

Concept Generation and Testing – follow concept descriptions offered by Crawford and di Benedetto; you might want to develop and test competitive concepts (all written → you can depict them in an Appendix); the concept test should contain a brief description of the research methodology; you can use face-to-face interviews, focus groups, etc. – do not forget to keep target population into account, you can also use social media sites (Facebook) to have your concepts evaluated, measures such as overall reactions, liking/disliking, purchase likelihood, frequency usage, etc.; also pay attention to feasibility; if not certain, conduct a feasibility analysis, you can also discuss assumption or provide an identification of must-meet criteria; use of profile sheets or scoring models might be considered; your report might also contain an evaluation of risk that is involved and its prospects for success and for producing a sustainable advantage; you can also document the changes to the product concept during the stages

Marketing strategy and tactics – describe positioning of products (positioning statements), definition and description of target markets (primary and secondary target segments). Place – how and where to sell it? Promotion – how and where to promote; which communication tools? Please also create an advertisement for your product (the materials covered in the marketing communications session will be of help (avoid generic statements such as we are planning to do sponsorship and advertising; also keep in mind that you as entrepreneurs have limited budgets – what is possible for large multinational, might not be possible for you).

Conclusion – in one paragraph, summarize why this product is likely to succeed/fail in the marketplace.

You can also add other components that contain strategic recommendations (be creative!) – these can contain a plan that describes how you want to realize your projects, alliances / complementary assets needed to fulfill your project – outsource vs. integrate, financial expectations and forecasting, etc.).

Some additional hints/issues you should consider:

Please note the following:

- You might want to start your presentation/project description by focusing on the problem/need in the market. Communicate your main insights that led to the development of a new product. If it is often good to first concentrate on the need or problem, and then, in a second step, communicate how your product can solve that need or problem.
- Please provide a detailed description of your new product. What is it; what are distinguishing features – what are the benefits of the new product. You might want to make sure to corroborate the benefits with some data/empirical evidence (→ e.g., for example, to show that there is indeed a need in the market; to show that there is indeed a problem; in some cases, you could also make rough estimations regarding the market potential in terms of number of users/sales). In sum, you might want to emphasize why someone should buy your product and what is your unique selling proposition.
- Please describe the target segment (you might want to make sure that the segment is significant in size, etc.).
- You might also want to describe which alternative products are available on the market (which products are your target customers currently using). In case you might also want to briefly discuss relevant competitors / competitor products in the market – which products are out there that come closest to your product line. Are your potential customers currently served by competitors?
- Market research data (primary data or secondary data) can help you in defending your product concept. It might help you to convince stakeholders that there is indeed a need for the product (you can use some of the methods we were discussing; focus groups, netnography, etc.). If you use primary data please provide a brief background how you collected the data (sample size, procedure, etc. → you can also provide this information in an appendix). If you rely on secondary data (industry reports, etc.) please cite the source.
- Please try to avoid grammar and spelling mistakes (I know this document is likely to contain many of them 😊; but yours should be free of such mistakes). Keep sentences short and simple. Try to use active versus passive formulations. Try to use verbs instead of nouns (e.g., instead of “make an adjustment” use “adjust”). Try to avoid wordy phrases (instead of “due to the fact” use “because”).
- In the first stages, your focus should be more on the concept itself. But at later stages you might also want to think about a marketing concept: You might want to briefly discuss the four 4 p’s (which distribution channels will you emphasize, which communication channels will you use; as you might not have specific information on the production and marketing costs, you might want to refrain to name exact prices of your products, etc.); Marketing campaign – what will you do to promote your product? How will you get the attention of customers? How will you get noticed? You are also advised to develop promotion materials for your product concept and put them in the Appendix (e.g., prototype of a PR campaign, Facebook website, guerilla marketing tactic, etc.).

Additional recommendations:

1. It is often helpful to use pictures to communicate your identified need/initial product concept; sometimes a picture says more than a 1000 words. Similarly, you might want to develop a graphic version of your product type (remember how IDEO develop/design new products - they never go to meetings without a prototype), or you even might want to generate a prototype → recall the IDEO video, where it was said that building a prototype is important because it leads to a better understanding what your product is, and what it is not. You might want to use photoshop or related programs to design a prototype of your product line an campaign. The prototype is a visual illustration of your product. You might also want to graphical display how the product works (e.g., you could use a “comic” like format for this, that is, show pictures of how consumers should use the product.
2. Please try to be specific and try to avoid generic statements; don't simply say you will use social media such as Facebook, twitter, etc. Communicate in detail how you will utilize these media forms? It is better to use less information that is however, not shallow.
3. Successful product concepts are those who win the hearts of the audience; take the perspective of the consumer (and not necessarily that of the firm). The audience needs to feel – “Yes, I see the problem”; “Yes, this is great solution to the problem!”
4. Do not try to be everything to everybody - remember less is sometimes more; it is better to communicate one or two advantages of your product concept instead of communicating numerous advantages; consumers often discount the value of your USP if they are exposed to additional "selling arguments" that are not that compelling.
5. Make use of storytelling → tell a story. Tell the audience what the problem is, describe the consumer need, and then come up with the solution (i.e., the new product line). Note, however, that the needs/problems should be consistent with the needs/problems solved by the new product line. Otherwise you oversell.