

CHAPTER FOUR

PRODUCTS OR SERVICES DEVELOPMENT

4.1 INTRODUCTION

- Product/service development is the process of bringing a new product or service in the market
- It's an ongoing practice in which the entire business is looking for opportunities as new products provide growth promise to businesses that allow them to strengthen their market position.
 - The new product development process involves the;
 - Idea generation
 - Product design
 - Detail engineering
 - Involves market research and marketing analysis.

4.2. The Concept of Product/Service

- Organization's success is dependent on customer satisfaction and delight.
- Customer satisfaction is achieved through the development of product and service, which have all **attributes required by the customer.**
- A successful product or services do not only have an attractive package design but should be also able to provide robust performance.

4.3 Product/Service Development Process

- Product development is the process through which companies react to market signals, respond to changes in customer demand, adopt new technologies, foray into new areas, and ensure continuous growth.

1. New Idea Generation

- Develop an idea that has a market for the new product/service idea conceived
- Some of the more fruitful sources of ideas for entrepreneurs include consumers, existing products and services, distribution channels, the federal government, and research and development.

2. Idea screening

- Lessen the number of ideas to few vital/valuable ideas.
- The ideas should be written down and reviewed each week by an idea committee who should sort the ideas into three groups - ***Promising Ideas, Marginal Ideas, and Rejects:***
- Each promising idea should be researched by committee member.

3. Concept Development and Testing

- Attractive ideas must be refined into fast able product concepts since people do not purchase ideas but they buy concepts.
- Any product idea can be turned into several product concepts. The questions asked probably include:-
 - Who will use the product?
 - What benefits should the product provide?
 - When will people consume the produced?
- **Concept Testing:** - calls for testing product concepts with an appropriate group of target consumers/customers, and then getting the consumers' reactions.

4. Marketing Strategy Development

- After testing the new product the concerned body must develop a preliminary marketing strategy plan for introducing the new product into the market.
- The marketing strategy plan consists of three parts:
 - 1) Market size, structure, behavior ;
 - 2) Planned price, distribution strategy, and marketing budget of the 1 st year; and
 - 3) Long run sales and profit goals, marketing mix strategy.

4. Business Analysis

- After management develops product concept and marketing strategy, it can evaluate the proposals' business attractiveness.
- Management needs to prepare sales, cost and profit projections to determine whether they satisfy the company's objective or not.
 - ***Estimated Total Sales:*** - Management needs to estimate whether sales will be high enough to yield satisfactory profit.
 - ***Estimating Cost and Profits:*** - After sales forecast the management should estimate the expected cost and profit at various levels of sales volume.

6. Product Development

- If product concept passes the business test, it moves to R&D or engineering to be developed to one or more physical version of the product concept
- Its goal is to find a proto type that the consumers/customers see as embodying the key attribute described in the product concept statement,

7. Market Testing

- After management is satisfied with the products' functional and psychological performance, the product is ready to be dressed up with the brand name.
- The goals are to test the new product is more authentic consumer/customer settings and to learn how large the market is and how consumers/customers and dealers react to handling, using and repurchasing the actual product.

8.Commercialization

- *When (Timing):-* In commercializing, market entry timing is critical. If the company hears about a competitor nearing the end of its development work, it will face three choices.
- ✓ The 1st choice is **First Entry**. Under this category, the firm usually enjoys the "first mover advantage" of locking up key distributors & gaining reputation.
- ✓ The 2nd choice goes with **Late Entry Strategy**- which has three advantages include:-
 - The competition will have borne the cost of educating the market;
 - The competing product may reveal fault that the late entrant can avoid; and
 - The company can learn the size of the market.
- ✓ The 3rd strategy- **Parallel Entry**- can be also chosen by the company to get in the market.
 - The strategy to work, a prospective businessman can take the advantage of opting for the latest technology and production process and operate at higher volume of operation

4.4. Legal and Regulatory Frameworks for Entrepreneurs

- To operate as a legal businessperson and protect the business from unnecessary suits and liabilities, the entrepreneur needs to understand the various laws that govern his/her business. Following are the key legal issues for the entrepreneur.
- In setting up an organization, it will be necessary to understand all the advantages and disadvantages of each regarding such issues as liability, taxes, continuity, transferability of interest, costs of setting up, and attractiveness for raising capital. Legal advice for these agreements is necessary to ensure that the most appropriate decisions have been made.

4.5 Intellectual Property Protection/Product/Service Protection

4.5.1 What is Intellectual Property?

- Intellectual property is a legal definition of ideas, inventions, artistic works and other commercially viable products created out of one's own mental processes
- In order to enjoy the benefits arising from the exclusive ownership of these properties, the entrepreneur needs to protect these assets by the relevant law.

4.5.2. Patents

- An entrepreneur who invents a new thing or improves an existing invention needs to get legal protection for her invention through a patent right.
- A patent is a contract between an inventor and the government in which the government, in exchange for disclosure of the invention, grants the inventor the exclusive right to enjoy the benefits resulting from the possession of the patent.
- A patent provides the owner with exclusive rights to hold, transfer, and license the production and sale of a product/process.

Cont'd

- ❑ Utility Patent: A utility patent protects any new invention or functional improvements on existing inventions.
- ❑ Design Patent: This patent protects the appearance of an object and covers new, original, ornamental, and unobvious designs for articles of manufacture.
- ✓ Like utility patents, design patents provide the inventor with-exclusive right to make, use and/or sell an item having the ornamental appearance protected by the patent

4.5.3. Trademarks

- A trademark may be a word, symbol, design, or some combination of such, or it could be a slogan or even a particular sound that identifies the source or sponsorship of certain goods or services.
- These are distinctive names, marks, symbols or motto identified with a company's product or service and registered by government offices

Benefits of a Registered Trademark

- It provides notice to everyone that you have exclusive rights to the use of the mark throughout the territorial limits of the country.
- It entitles you to sue in federal court for trademark infringement, which can result in recovery of profits, damages, and costs.
- It establishes incontestable rights regarding the commercial use of the mark.
- It establishes the right to deposit registration with customs to prevent importation of goods with a similar

4.5.4. Copyrights

- Copyright is a right given to prevent others from printing, copying, or publishing any original works of authorship.
- Copyrights provide exclusive rights to creative individuals for the protection of literary or artistic productions.
- It protects original works of authorship including literary, dramatic, musical, and artistic works, such as poetry, novels, movies, songs, computer software, and architecture.
- They pertain to intellectual property. Usually copyrights are valid for the life of the inventor plus a few decades.

4.6 The Intellectual Property System in Ethiopia

