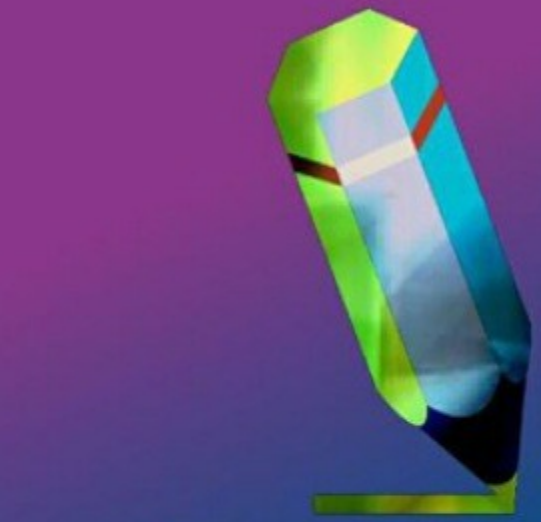


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CHAPTER 4

PRODUCT/SERVICE DEVELOPMENT

4.1 INTRODUCTION

- The new product development process involves **the idea generation**, **product design**, and **detail engineering**; and also involves **market research** and **marketing analysis.**
- Intense **global competition**, **short product and technology lifecycles**, **unpredictable consumer buying patterns** and possible **market stagnation** makes **new product development a critical activity** in most businesses.

4.2 The Concept of Product/Service Technology

- Many entrepreneurs find it difficult to identify a new product/service or a new market opportunity.

- To start and expand a small venture, an entrepreneur needs to **identify opportunities for domestic and/or international expansion.**

- As the new venture grows and matures a **need for different management skills can occur** as well as for a new **infusion of the entrepreneurial spirit** (corporate entrepreneurship).

- 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.
- Successful products or services do not only have an **attractive package design** but should be **also able to provide robust performance.**
- Thus, product design must be **practical enough for production** and powerful enough to **provide a competitive advantage.**

- The **essence of product design** is to **satisfy customer** and **maximizes the value for the customer** at minimum cost.

- The merchandise or service should also be **able to meet primary needs and desire of the customer.**

- This **may not require development of new merchandise**, but an **enhancement to existing** merchandise or service.

- The merchandise or service will succeed most if it either **eliminates an existing pain** or **adds significant tangible benefits**.

- It is **easier to sell/deliver a new merchandise/service that eliminates a well-known existing pain**, as opposed to sell an item or service that doesn't clearly solve a potential client's pain.

4.3 Product/Service Development Process

- One of the essential characteristics of a **successful business** is exemplified by its **ability to continuously and rapidly develop new or improved versions of existing products** that deliver values more than customers expect.

- **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.**

- It is a core process in **achieving strategic objectives, renewal of the company business model** and **deterring competition** from displacing the company from its **market position.**

- Product/service development process is **part of the overall new-venture creation process**.

- Even though there are **many models** that advocate what the **product/service generation process** should look like, for this purpose we shall adopt **four distinct stages.**

These stages can be referred to as:

1. **Idea Generation**
2. **Incubation**
3. **Implementation**
4. **Diffusion**

New Idea Generation

- The new product development process **starts with search for ideas.**

- **Companies have to encourage any new idea coming.**

- The key to successful domestic and international entrepreneurship is to 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.**

Idea Screening

- In the 2nd stage, **the purpose is to 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.

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.

- At this stage, the **concepts can be in words or picture description**.

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 will undergo further refinement in subsequent stages**.

The **marketing strategy** plan consists of three parts:

(1) **Market size**, **structure**, **behavior** ;

(2) **Planned price**, **distribution strategy**, and **marketing budget** of the 1st year; and

(3) **Long run sales and profit goals**, **marketing mix strategy**.

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.

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 **prototype** that the consumers/customers see as embodying the key attribute **described in the product concept statement.**

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.

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***

- The 3rd strategy- ***Parallel Entry-*** can be also chosen by the company to get in the market.

4.4 Legal and Regulatory Frameworks for Entrepreneurs

- Since there are many options that an entrepreneur can **choose 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**.

4.5 Intellectual Property Protection/Product/Service Protection

- **4.5.1 What is Intellectual Property?**

- Intellectual Property which **includes patents**, **trademarks, copyrights, and trade secrets** represents **important assets to the entrepreneur** and should be understood even before engaging the services of an attorney.

- **Intellectual property** is a legal definition of **ideas, inventions**, **artistic works** and other **commercially viable products** created **out of one's own mental processes.**

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.

- It is an **intellectual property right and It is issued by government to the inventor.**

- This **exclusive property right** can be **granted for a number of years** depending on the countries laws and type of property.

- Patents are **property rights that can be sold and transferred**, **willed** as well as **licensed** and at times **used as collateral**.

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.

- **Unlike the patent, a trademark can last indefinitely**, as long as the mark continues to perform its indicated function.

- **Trademarks unlike patents are periodically renewed** unless invalidated by cancellations, abandonment, or other technical registration/renewal issues.

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 mark**.
- It entitles you to **use the notice of registration (®).**
- It provides a basis for **filing trademark application in foreign countries.**

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

- Ethiopia became a party to the convention establishing the **World Intellectual Property Organization** (WIPO) in February 1998 right after some time the Country had joined the Nairobi Treaty on the Protection of the Olympic Symbol in 1981.

- It is a member of the **Treaty establishing the Common Market for Eastern and Southern Africa (COMESA)** which was formed in 1994, the Partnership Agreement between members of the **African, Caribbean and Pacific (ACP)** Group of States and the European Union (EU).

- The Ethiopian Government established the **Ethiopian Intellectual Property Office** in the year 2003 containing the understated Objectives:-

- To facilitate the **provision of adequate legal protection** for and exploitation of **intellectual property in the country;**

- To **collect, organize and disseminate technological information** contained in patent documents and encourage its utilization;

- To **study, analyze and recommend policies and legislation on intellectual property** to the government; and

- To **promote knowledge and understanding of intellectual property** among the general public;