

Chapter 14

**Business Ideas (Internal/External Sources;
New Product Development)**

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Chapter 14 – Business Ideas (Internal/External Sources; New Product Development)

2013 Q6 (A)

Google's '20 Percent Time' strategy gives engineers time and space to work on their own projects.

Outline the internal and external sources of new product ideas for technology companies like Google. (20 marks)

MS: 2 internal sources @ 5 (2+3) + 2 external sources @ 5 (2+3)

Internal: Brainstorming

This involves people from **different areas** of the business **coming together** and **creatively thinking up new ideas**.

Diverse ideas and approaches will lead to more creative ideas being offered.

Companies like Google could have regular meetings between different members of teams e.g. sales, IT development etc.. to brainstorm new ideas.

Internal: Research and Development Department

The **R&D department** may work on discovering a new product or work on **improving an existing product** to extend it's product life cycle.

Companies like Google spend **billions** each year on their R&D.

Others: Sales Personnel (interacting/observing customer); Suggestion box/internal staff competitions (intrepreneurial culture)

External: Competitors

A business could **monitor** close competitors and look at **copying** some of their product ideas, without **infringing** on their **patents/copyright**.

Companies like Google must constantly see what their competition is doing e.g. Yahoo! To look for new ideas so they don't fall behind competitors.

External: Trade Shows

Business would regularly attend trade shows such as the **Dublin Web Summit** to **inspire** them to make a new product for the domestic market or search for gaps in the market.

Companies like Google could travel to America to attend trade shows over there to see if there is an opportunities for an alliance on a new product etc...

Others: Customer Complaints/Feedback; Market Research; Import Substitution.

2011 Q6 (C)

Read the information supplied and answer the questions which follow.

Kilronan Ltd produces a range of chilled food products. Made from natural ingredients, the firm's award winning products have become household names. It is now one of the leading brands in Ireland and supplies all the major supermarket chains. Kilronan Ltd is considering either a 'merger' or a 'takeover' as a method of expansion within the Irish market. It is also considering how it will finance growth.

Outline internal **and** external sources of product innovation for Kilronan Ltd. (20 marks)

Same as per 2013 but with a link to the text given about Kilronan.

Stages in New Product/Service Development appear frequently, often broken up and asking you to refer to a product of your choice. We will look at 2009 Q7 (A) to see what key words are important and how to link to a product. All this information can then be used for any question related to this topic.

2009 Q7 (A)

Olympian Ltd is a company that produces a range of high quality branded sportswear. Following a lengthy market research process, the firm is now expanding its business to include a new range of Hoodie Tracksuits, aimed at the teenage market.

Outline the stages involved in the development process of the new range of Hoodie Tracksuits. (20 marks)

MS: All stages needed 6 @ 3 Marks (1+2)+ 1 @ 2 Marks

Idea Generation

This identifies various product ideas. This can result from **brainstorming**, **market research** or using **staff suggestions**.

Olympian may have done brainstorming and came up with lots of sports related clothing ideas.

Product Screening (Ideas)

A **SWOT analysis** (identifying the product's **Strengths, Weaknesses, Opportunities and Threats**) should be applied to identify ideas with commercial potential, and the ideas with no potential should be dropped.

Olympian dismissed all other ideas as the hoodies was the one with most potential for sales

Concept Development

A **detailed version** of a new product idea should be developed into something real. This should identify features including its **unique selling point, design, form, packaging, branding** etc..

Olympian devised a USP of a half zip on the front of the hoodie

Feasibility Study

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This is done to check that the new product is **viable**.

A **break-even analysis** is done to check if the product can earn profit.

Other areas would include **financial** (do we have enough capital), **commercial** (is there a big enough market), **environmental** (does it break any laws) and **productional feasibility** (is it possible to make).

Desk research was done by Olympian on the internet based on similar premium hoodies and the prices they were selling at to see if profit was possible from projected sales

Prototype Development

An **original working sample** of the product is developed and tested. This can **highlight defects, problems** with the product/production and allow to business to **improve on it** before full production.

A hoodie was produced that Olympian employees **modelled**, then **modified**

Test Marketing

A small amount of the product is produced and sold to a **segment** i.e. the **target market**.

Consumer feedback is gathered at this stage before deciding to launch the product.

Hoodies were given to 10 people in the target market and Olympian got feedback from them

Full Production and Launch

The product is made using **Job/Batch/Mass production**.

It is usually accompanied by a **product launch** by the **PR department** and an **advertising campaign** or **sales promotion** to get the product known.

Olympian launched a billboard ad with their product that they made using Batch production.

****These steps MUST appear in order for full marks****

Other Stages in Developing a New Product Past Paper Questions:

2017 Q5 (A)

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In 2015 a Slovakian company AeroMobil revealed its prototype of the AeroMobil 3.0 – a flying car. It is a road-ready vehicle with foldable wings. It can navigate both city traffic and airspace.

Describe the stages in the new product development process up to and including prototype development. Refer to the AeroMobil 3.0 vehicle in your answer.

2015 Q5 (B)

Feasibility Study, Test Marketing, Product Screening and Prototype Development are stages in the new Product Development Process.

- (i) List the four stages above in the correct order.
- (ii) Outline your understanding of any three of these stages. (20 marks)

2014 Q4 – Short

Column 1 Business Terms	Column 2 Explanations
1. Idea Generation	A. It involves developing a sample or 'mock-up' of a product.
2. Concept Development	B. Brainstorming is one of the methods used.
3. Product Launch	C. Is carried out to assess if a product has profit potential.
4. Prototype Development	D. The product is made available to the market.
5. Feasibility Study	E. Unworkable ideas are dropped.
	F. A unique selling point (USP) is identified.

2012 Q6 (B)

“The process of introducing new products on a consistent basis is important to the future success of businesses.”

Idea Generation and Feasibility Study are important stages before a new product or service is launched onto the market.

Discuss the stages underlined above, referring to a product or service of **your choice**. (20 marks)

2010 – Short Q2

Distinguish between ‘Prototype Development’ and ‘Test Marketing’ as stages in the development process of a new product.

2016 Q6 (A)

Outline the reasons why businesses engage in prototype development. (15m)

MS: 3 x 5m (2 + 3)

Cost of Production

Creating a prototype (**working sample**) of a product will help a business **determine the financial cost** of producing the prototype i.e. **the amount of staff time / raw materials etc..** that will be needed for the product.

Reduce Defects

Creating a prototype gives the business the opportunity to **refine the original design** to create a **fully functioning product**, eliminating any **bugs** in the design that was previously only a **concept** or on paper.

Test Marketing / Attracting Investors

A prototype could be used to show **potential customers** (your target market) to seek **feedback about it**, or used to **show potential investors** to help **convince them to invest** in your idea.

Other: Identify problems; An opportunity to test the product in use. Determine if you can source the materials when required

2017 Q5 (B)

Explain the factors a business should consider when designing a product. (15m)

Cost – A business needs to ensure the new design won't be **too costly** to be **commercially** viable. This could include needing too much skilled **labour** to produce, expensive **raw materials** or a **lengthly production process**.

Production Feasibility – A business needs to ensure it is **actually possible** to **build** a new design blueprint. Virgin needed to make sure their **Galactic** project will actually be able to be produced and **fly** in to space.

Target Market – When designing a product, a business needs to ensure it has both **attractive, additional** features as well as **functional** ones so that the product both does what it is supposed to do, and is also **appealing** to the planned market segment.