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 marks (2+3) 2 external sources @ 5 marks (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) 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

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 the 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*

(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**

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

*Both questions above can be answered from the keywords given in 2009 Q7 (A) above, linked to a real or created new product of your choice.*