

Suite 204**NEW PRODUCTS & SERVICES**

*New Products & Services
Development of New Products & Services
Competition
Design – Right & Registration*

204.01 UNDERSTANDING YOUR PRODUCT

A product may be described in terms of its features and benefits. Features are best described as the product's characteristics; benefits are best defined as to how the product features fulfil the needs of the customer. Features can best be described such as; size, colour, shape, design, content, time and strength descriptions. Benefits can best be described as what the product does to fulfil the needs of the customer.

Product features are usually quite tangible while the benefits are usually something which causes the customer either to feel better or to receive some financial benefit. The most compelling product benefits are those that provide emotional or financial rewards.

Emotional rewards basically allow the buyer to feel better in some way.

Products that deliver financial rewards usually allow the buyer to save or make money.

204.02 KNOW YOUR PRODUCT'S BENEFITS

To identify your product's benefits, you must consider your customers' needs. Look at your product from your customers' point of view – seek their opinion and perception of your product.

If the situation warrants it, hire an independent firm to conduct a sample test using your product with a group of potential customers for product for usability and desirability.

Speak with existing customers those who have purchased your product in the past. What can they tell you about your product's benefits? Once you have a basic sense of your product's benefits, you will then be able to create systems to develop and follow their evolution:

- Seek suggestions for improvement from customers.
- Pay attention to customer complaints learn what they like and don't like.
- Keep a close eye on your competitors, the product offerings and benefits.

204.03 KNOW YOUR PRODUCT'S FEATURES

Understanding your product features and benefits allow you to:

- Describe your products in terms easily understood by your customers
- Effectively choose pricing and positioning strategies.
- Differentiate – how your product is different than the competition's

Of this list there is one that requires further understanding:

Differentiation

It will be necessary to understand how your product's benefits compare to your competitors'. This will allow you to compete with them through differentiation.

But first, we need to define the two product designations in order to have a thorough understanding.

The first we will call "**Specialty Products**" these products will usually have highly unique features compared to other products.

The second we will refer to as "**Commodity Products**" and in this area the product differences will virtually be indistinguishable.

In order to use differentiation effectively you must create a strategy for your "Specialty Products" which sets them apart from the competitors' products in the minds of the customers. Each level of uniqueness will require a different marketing strategy.

The following examples are strategies based upon features:

- **Introducing a new feature** – to offer a new product feature is a proven competitive strategy.
- **Improving/Modifying** – modify or improve your product's features thus creating the impression that your company cares about satisfying its customers. This is a strategy many businesses use when a competitor has lowered prices.
- **Grouping** – often features are grouped into different product models with prices escalating from a basic model to a "fully loaded" model.

DEVELOPMENT OF NEW PRODUCTS & SERVICES

204.04 DEVELOPMENT OF NEW PRODUCTS & SERVICES

Investing in the development of new products and services isn't optional as it is the lifeblood of all business and crucial to growth and profitability.

However, it is a risky road and needs considerable planning and organisation.

There are five key stages in the lifecycle of any product or service.

- **Development** - investing heavily in research and development.
- **Introduction** – spending heavily on marketing.
- **Growth** – your product or service has established itself; sales are growing and profit margins are good. Now's the time to reduce costs.
- **Maturity** – sales growth is slowing or has stopped. You've succeeded in the reduction of costs, but competition has driven the prices down. Now is the time to invest in a new product.
- **Decline** – new and improved products or services are on the market and competition is high. Sales fall and profit margins decline. Increased marketing will have little impact on sales and won't be cost-effective unless new markets are identified.

204.05 MANAGING THE LIFECYCLE

Central to your profitability is your ability to identify where products or services are in their lifecycle. Researching your competitors will help you find the answers

By investing in an extension strategy you can extend the lifecycle of a product or service. You could:

- Increase your promotional spend
- Introduce minor innovations – such as: adding extra features or updating the design
- Seek new markets

But ultimately this only delays a product or service's decline.

You should always have new product or services to introduce as others decline so that at least one part of your range is showing a sales peak.

Develop your ideas

To minimise risks and allocate investment and resources wisely, you should consider:

- Will your new product or service meet customers' specifications?
- How technologically feasible is the product or service?
- Are you clear about what you hope to achieve?

The clearer you are about your plans, the better you can analyse the risks involved.

The following tips may also be helpful:

- Speak to your team about your development plans.
- Seek the views of suppliers and other business associates
- Start with a lot of ideas
- Ask your best customers what they think.
- Consider the regulatory framework within which your new product or service will operate.

The development process

An effective development process for products or services should be divided into a number of key stages:

- Idea generation – to capture new ideas
- Ideas distillation – keep the best screen out the rest
- Concept definition – considers feasibility and market potential. .
- Business analysis – ensure your ideas fit into the business' strategic plans.
- Concept development – create a prototype or pilot service.
- Test marketing and finalising the concept – deciding the best timing and process for piloting your new product or service according to feedback.
- Product launch – determine how to sell, promote and support your product or service before your competition beats you to the market.

Your new product or service will require a dedicated development team. You need to include people with a variety of skills to include: a creative ideas person, a technical expert, a marketing specialist, someone who can source components and someone who understands the supply-chain difficulties you could encounter. Your team members should complement each other with a clear understanding of your business' objectives. This means that all team members must be committed, involved from the start and working in parallel. Next is to select a project manager to lead and motivate the team.

Investing in new products and services

The development of new products and/or services is a risky business. You will need to keep a close eye on how your investment meets your business plan. Keep accurate accounts and be prepared to justify the development costs of each project. Carefully weigh the risks against what you may gain.

Minimise your risks by keeping to those projects which show the greatest chances of success. Create a stage or phase development process where you can review the project's progress at the end of each phase or stage this will help ensure that you are placing your resources behind the project with the best opportunity for success. If the project fails to meet strict criteria on the judgement day then take action to prevent additional waste, and ditch the project. If it passes the test then allocate additional resources to ensure it can meet the next marker. This way you will be backing the projects with the greatest chance of success.

Then create a full business plan based on the product or concept and test it for feasibility prior to implementation.

Always keep an eye on your competitors to see that they aren't going to beat you to the marketplace.

Cost Control

It is essential to keep a close eye on costs as they can quickly get out of control.

Place controls on your expenditure by; estimating development costs prior to starting, keep close controls on spending throughout the development process, and if possible use the stage/phase process. See your accountant to identify which of the development costs may qualify for tax relief.

Estimating costs

There are two main ways to estimate costs.

- The top-down approach – this is where you consider previous comparable projects and using history as a benchmark to estimate the costs for your new project. Don't forget to account for inflation.
- The bottom-up approach – in the event you've not completed a comparable project. All team members must agree and submit costs for their section of responsibility to the project manager, who will then estimate the total cost of the project. It is very important to allow for unknowns – always allow a reasonable contingency both in time and money.

Managing a development project

Most essential to the success of the development of either new products or services will be the management of the project. The Project Manager will be directly responsible for controlling costs, allocating resources, the creation of stage/phase targets, the co-ordination of the project team, to create and meet specific timetables and, of course, to manage overall troubleshooting.

A path and time for completion

Your project manager should draw up a critical path for the completion of key tasks. SMART (specific, measurable, agreed, realistic and time-limited) objectives can help to control and co-ordinate the development team's advancement along this path, with stages specifically used to monitor progress. One must always be aware that flexibility must account for unknowns like a change in the projects specifications or an accelerated completion date.

COMPETITION

204.06 COMPETITION DEFINED

Competition means that there is already a demand for your product, but it also means you have to try harder.

- **Direct competition** comes from businesses who offer the same product or service as you.
- **Indirect competition** comes from all the other ways customers might spend their money, instead of with you.

Know your strengths and weaknesses

Right from the beginning, you need to be clear about why people should come to you, and how you might attract more. To do this, you need to know all about your competitors' strengths and weaknesses. If yours is the kind of business that sometimes comes on the market, go to the local business estate agent and ask for details of any relevant businesses for sale.

These always include turnover figures and you can find out about market opportunities in the area. If your competitors are limited companies, you can examine their accounts in the public records of Companies House. (UK)

Talk to as many people as you can. People already involved in the type of business you are interest in often enjoy talking about it.

Talk to your competitor's customers to find out how the business is doing. Find out what it is doing right if the business is doing well, or wrong if not. People love being asked for advice.

The local trade associations can give you information and you can look at statistics such as Business Monitors which the Government publishes, you can usually get these at your local reference library.

Not only must you meet your customers' needs, you have to do so in a way that it is better than the alternatives offered by the competition.

Your new product or service needs a unique selling proposition – a feature or property that makes it stand out in the marketplace. So before entering the market you need to determine:

- How customers currently have their needs met
- Why customers would choose your product or service rather than the competition's, both now and in the future
- What risks you take launching into this market

204.07 KNOW YOUR COMPETITORS

There is always competition. Even if you consider you are the only one providing this product or service, you face competition from cinemas, bars and other businesses where your customers will spend their money instead of with you.

Don't just research what is out there; you must constantly be on the lookout for possible new competition. A new business may be offering a substitute or similar product that makes your own redundant or a service that's being developed and which you ought to be selling or looking to license before somebody else takes it up.

Seek information about your competitors from: advertising, press reports, through attending exhibitions and trade fairs, searching the web, marketing literature and even from planning applications and building work in progress.

What you need to know about your competitors

- Their products or services and how they market them
- Their pricing
- Their distribution and delivery systems
- Do they offer devices to enhance customer loyalty and what back-up
- Their brand and design values
- Do they use innovation in business methods as well as products
- Their staff numbers and quality
- How they use IT (are they technology-aware offering a website and email)
- Who owns the business and what sort of person they are
- Their annual report if they're a public company

How they treat their customers

- Who they are
- What products or services differ causing customers to buy from them
- What customers see as your competitors' strengths and weaknesses
- Are their customers loyal
- If they've enjoyed an influx of recent customers

What they're planning to do

Once you have identified a serious competitor you must create an analytic business strategy. Scan publications and the trade press for articles on them keep advertisements, newsletters and marketing literature. Check on their entries in directories and phone books. Are they mentioned in the local press and are they busy networking or sponsoring events? Have you an understanding of their business strategy?

You need to know: the types of customers they're targeting, new products they're developing and financial resources they have.

In the United Kingdom: read a copy of their annual report (secured from Companies House); in Northern Ireland their accounts can be secured from Companies Registry, both of which can be reviewed through their official websites.

Go to exhibitions

While at exhibitions and trade fairs check which of your competitors are also exhibiting. Take a look at their stands and how they're promoting themselves and keep an eye out to see how busy they are and who visits them.

Check the web

Look at your competitors' websites. Business websites often give a great deal of information that businesses wouldn't traditionally reveal – from the history of the company right down to biographies of the staff. Use a search engine to track down similar products. Find out who else offers them and how they go about it.

Websites can be a source of information on what businesses around the globe are doing in your line of business.

Organisations and reference sources

Look up your trade association at the Trade Association forum website.

- The local Chamber of Commerce. Find your local Chamber of Commerce at the Chamber Online Website.
- Directories and survey reports in any business reference library.

Hearing about your competitors

Speak to your competitors. Talk to them. Be friendly – they're competitors not enemies. You'll get a better idea of them – and you might need each other one day, for example in collaborating to grow a new market for a new product. Phone them to ask for a copy of their brochure or get one of your staff or a friend to drop by and pick up their marketing literature.

Listen to your customers and suppliers

Make the most of contacts with your customers. Don't just ask how well you're performing – ask which of your competitors they buy from and how you compare.

Use meeting with your suppliers to ask what their other customers are doing. They may not tell you everything you want to know, but it's a useful start.

Use your judgement with any information they volunteer. For instance, when customers say your prices are higher than the competition they may just be trying to negotiate a better deal.

204.07 COMPETITIVE ANALYSIS

Acting on the information you get

Draw up a list of everything that you've found out about your competitors, however small. Don't just copy, now that you've got the idea, can you do it even better?

Your competitors might not have rights over their actual ideas, but remember the rules on patents, copyright and design rights.

1. Who are your five nearest direct competitors?
2. Who are your indirect competitors?
3. Is their business growing, steady, or declining?
4. What can you learn from their operations or from their advertising?
5. What are their strengths and weaknesses?
6. How does their product or service differ from yours?

Where they are better

Once you're convinced that your competitors are doing something better than you, you need to change. It could be anything from improving your products, your marketing strategy or even your suppliers.

Where they are worse

Once you've identified any area where you feel your competitor is falling short of the mark – increase your efforts to exploit these areas. Remember, at the same time they may be assessing you.

Where they are the same

Analyse these common areas and see whether you've got it right or if you both have it wrong. Remember, your competitor may be planning an improvement.

It is essential you understand the Competition

Therefore, seek answers to questions involving:

- Identity of current and new competitors
- Summary of each competitor's products, location and methods
- Analyse competitor's customer service, etc.
- List competitors' strengths and weaknesses
- Analyse competitors' strategies and objectives
- Seek objective information on the strength of the market

You might gather information from:

- The Internet
- Personal visits – (visit your competitors' locations)
- Speak with customers
- Analyze competitors' ads
- Attend presentations made by representatives of your competitors.
- Trade show displays
- Look into written sources:
 - General business publications
 - Marketing and advertising publications
 - Local newspapers and business journals
 - Industry and trade association publications
 - Industry research and surveys
 - Computer databases (available at many public libraries)

DESIGN RIGHT AND REGISTRATION**204.08 DESIGN RIGHT**

The design of a product's outward appearance can be crucial to its success or failure, whatever its other attributes. You can protect the outward shape or configuration of products, their pattern and ornamentation.

Design right is an automatic right like copyright. Design registration will allow you to protect your design its shape and configuration of articles or parts of articles, preventing others from copying or misusing them.

However, two-dimensional designs, such as wallpaper or textile designs, don't qualify.

Design right occurs automatically – you don't have to apply for registration – providing the design is:

- Original
- Not commonplace

Design right is to prevent deliberate copying and it comes into force when the article is first “fixed” in what’s known as a design document – such as a drawing or a computer model – or when the article is first made.

Design right can be an important piece of intellectual property for your business. You should keep all records relating to a design’s initiation to back up your claim to design right.

Limits of design right

Design right doesn’t apply to any ornamentation of an article.

Your design right also applies in the European Union but only lasts for three years from the design being made available to the public. The situation in other countries is more complicated.

In the UK it lasts for ten years after the articles designed are first marketed up to an overall limit of 15 years from the creation of the design. For the last five years of design right you’re obliged to agree licensing terms with third parties if they seek them.

204.08 A REGISTERED DESIGN

Unlike design right, a registered design covers two-dimensional as well as three-dimensional articles and ornamentation too.

It gives you the exclusive right to make, use or stock any item incorporating your design – and take action against those who infringe this right. It can be a very valuable piece of intellectual property that you can license or sell as an additional way to make money.

What is a registered design?

A registered design is a monopoly right for the outward appearance of the whole or part of a product, resulting particularly from the features of lines, contours, colours, shape, texture and materials of a product or its ornamentation.

These designs could be anything from patterns on textiles or plates to shape of a car or part of a product, such as a kettle handle.

Registering a design with the Patent Office gives extra protection in law. You’re entitled to sue infringers for damages whether the infringement is intentional or not. Find out about how to register a design on the Patent Office website. This protection is in addition to your design right, which is automatic.

To register your design it must be:

- New
- Have individual character – that is, give an appearance of originality

Limits to design registration

You can't register designs concerned with how a product works, or the interior of a product. If you've invented an innovative product you may be able to apply for a patent.

Design registration is territorial. You must research this with the country in which you seek the protection.

Some products can be protected and then licensed with a combination of a registered design, a patent, copyrights and trade marks. The Patent Office must be informed if you intend to license or sell a registered design.

How to register a design

If you want to register a design you have to apply to the Patent Office.

An application for design registration requires just a few illustrations showing different views of the design and some information about how the design might be applied. The design's creation must involve freedom of design.

You can apply for registration any time up to 12 months from marketing your design but it can make good business sense to apply as early as possible.

Design registration can be a complex area –trade mark attorneys and patent agents are lawyers who specialise in this.

Defend your design against infringement

Your designs are likely to be an important part of your business' success. If anybody sells, imports or uses your designs without your permission you're likely to want to take action.

If you think your design is being infringed send a carefully worded warning letter to the potential offender. They may be genuinely unaware of the infringement or they might cease the practice when they know they've been found out.

If this doesn't work, you're entitled to sue anyone who infringes your design for damages whether the infringement is intentional or not.

Respect the rights of others

If you make, sell, import or use articles that infringe someone else's design right or registered design it can cause great damage to your business.

You can end up having legal action taken against you and being ordered to pay considerable costs and damages to the person whose designs you've infringed – even if you haven't intentionally copied them.

It therefore makes good business sense to check that any design you intend to use as part of your business doesn't belong to anybody else.

