AGRICULTURE BUSINESS PLANNING

Chapter 11

Selling and Defining a New Market Potential

Lecturer: Liska Simamora, S.P., M.Sc

Lecture Overview

- Testing new products
- Technique use in consumer testing of new products
- Market research and discontinuous new products

Introduction to this chapter:

Selling of each group is still running until this week. Thus, in this chapter every group will present the selling information during the last week.

In this chapter we are going to learn about the market potential. This aims to increase selling. Market potential is initiated by introducing new product.

Testing New Products

The main objective here is to estimate the market's reaction to the new product under consideration, prior to potentially expensive production and promotional costs. To achieve this objective, it is necessary to consider a number of other factors:

1. *The market:* current buying patterns; existing segments; and customer's view of the products available.
2. *Purchase intention:* trial and repeat purchase; barriers to changing brands; and switching costs (more about this later).
3. *Improvements to the new product:* overall product concept; and features of the product concept.

All these factors are linked and usually are covered in consumer new product testing and referred to as *customer needs and preferences*. This, however, raises an important issue: the type of needs required would, surely, depend on the type of product under consideration and the consumer:

- *Basic needs:* those that a customer would expect. For example, a customer would expect a new car to start every time.

- *Articulated needs:* those that a customer can readily express. For example, a customer may express a desire for additional features on a motor vehicle.
- *Exciting needs:* those that will surprise customers and are not being met by any provider at present. In the example here it may be finance packages enabling easy and quick purchase of a new car.

Technique Use in Consumer Testing of New Products

The following is a brief guide to some of the research techniques used in consumer testing of new products. Some products and services go through all the stages listed, but few do or should go through all these. The techniques would have to be adapted to meet the specific requirements of the product or service under consideration.

1.Concept tests

Qualitative techniques, especially group discussions, are used to obtain target customer reactions to a new idea or product. Question areas would cover:

● understanding and believability in the product;
● ideas about what it would look like;
● ideas about how it would be used; and
● ideas about when and by whom it might be used.

This would help to reveal the most promising features of the new product, and groups to whom it might appeal. It might be argued that the assessment of *purchase intent* is the primary purpose of **concept testing**, so that products and services with poor potential can be removed. The most common way to assess purchase intention is to provide a description of the product or take the product to respondents and ask whether they:

● definitely would buy;
● probably would buy;
● might or might not buy;
● probably would not buy; or
● definitely would not buy.

2.Test centres

These are used for product testing when the product is too large, too expensive or too complicated to be taken to consumers for testing. One or more test centres will be set up and a representative sample of consumers brought to the test centre for exposure to the product and questioning about their reaction to it.

3.Hall tests/mobile shops

These are used commonly for product testing or testing other aspects of the marketing mix, such as advertising, price, packaging, etc. A representative sample of consumers is recruited, usually in a shopping centre, and brought to a conveniently located hall or a mobile caravan, which acts as a shop. Here they are exposed to the test material and asked questions about it.

4.Product-use tests

These are used frequently in business-to-business markets. A small group of potential customers are selected to use the product for a limited period of time. The manufacturer's technical people watch how these customers use the product. From this test, the manufacturer learns about customer training and servicing requirements. Following the test, the customer is asked detailed questions about the product, including intent to purchase.

5.Trade shows

Such shows draw large numbers of buyers who view new products in a few days. The manufacturer can see how buyers react to various products on display. This technique is convenient and can deliver in-depth knowledge of the market because the buyers' views may differ considerably from those of the end-user consumers.

6.Monadic tests

The respondents are given only one (hence the name) product to try, and are asked their opinion of it. This is the normal situation in real life when a consumer tries a new product and draws on recent experience with the product they usually use, to judge the test product. The method is not very sensitive in comparing the test product with other products because of this.

7.Paired comparisons

A respondent is asked to try two or more products in pairs and asked, with each pair, to say which they prefer. This is less ‘real’ in terms of the way consumers normally use products, but does allow products to be deliberately tested against others.

8.In-home placement tests

These are used when an impression of how the product performs in normal use is required. The product(s) are placed with respondents who are asked to use the product in the normal way and complete a questionnaire about it. Products may be tested comparatively or sequentially.

9.Test panels

Representative panels are recruited and used for product testing. Test materials and questionnaires can be sent through the post, which cuts down the cost of conducting in-home placement tests. Business-to-business firms may also have test panels of customers or intermediaries with whom new product or service ideas or prototypes can be tested.

Market Research and Discontinuous New Products

In the case of discontinuous product innovations, the use and validity of market research method is questionable.

a.Circumstances when market research may hinder the development of discontinuous new products

This contributes to misleading views on new products. Figure 1 illustrates the tripartite product concept that captures the three views highlighted by Saren and Tzokas. The significance of this alternative view is that it highlights the reality of any product’s situation. That is, product developers and product testers need to recognise that a product will be viewed differently by channel members than by end users. For example, end users will be concerned about how the product will perform, whereas channel members are more interested in how the product will *sell*, whether it will be easy to *stock and display* and, most importantly, whether it will be *profitable*.

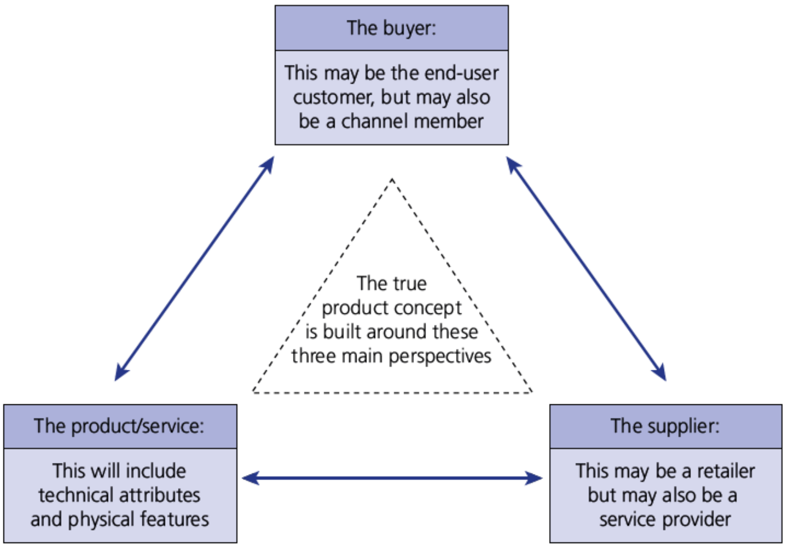

Figure 1. The tripartite product concepts

b.Technology-intensive products

Adopting a technology-push1 approach to product innovations can allow a company to target and control premium market segments, establish its technology as the industry standard, build a favourable market reputation, determine the industry's future evolution, and achieve high profits. It can become the centrepiece in a company's strategy for market leadership. It is, however, costly and risky. Such an approach requires a company to develop and commercialise an emerging technology in pursuit of growth and profits. To be successful, a company needs to ensure its technology is at the heart of its competitive strategy.

Merck, Microsoft and Dyson have created competitive advantage by offering unique products, lower costs or both by making technology the focal point in their strategies. These companies have understood the role of technology in differentiating their products in the marketplace. They have used their respective technologies to offer a distinct bundle of products, services and price ranges that have appealed to different market segments. Such products revolutionise product categories or define new categories, such as Hewlett-Packard's laser jet printers and Apple's (then IBM's) personal computer. These products shift market structures, require consumer learning and induce behaviour changes, hence the difficulties for consumers when they are asked to pass judgement.

This is particularly the case if the circumstances relate to an entirely new product that is unknown to the respondent. New information is always interpreted in the light of one's prior knowledge and experience. In industrial markets, the level of information symmetry about the core technology usually is very high indeed (hence the limited use of market research), but, in consumer markets, this is not always the case. For example, industrial markets are characterised by:

- relatively few (information-rich) buyers;
- products often being customised and involving protracted negotiations regarding specifications;
- and, most importantly, the buyers usually being expert in the technology of the new product (i.e. high information symmetry about the core technology).

In situations of low information symmetry, consumers have difficulty in understanding the core product and are unable to articulate their needs and any additional benefits sought. Conversely, in situations of high information symmetry, consumers are readily able to understand the core product and, hence, are able to articulate their needs and a wide range of additional benefits sought, for example in tasting new food products.

Reference

This lecture note is adopted from

Trott, P. (2017). Models of new product development. In R. Gear (Ed.), *Innovation Management and New Product Development* (6th ed.) Page 554-566. Pearson Education Limited.