

# **SPECIAL APPLICATION OF MARKETING RESEARCH**

## **WEEK 3 CONCEPT RESEARCH**

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## **WEEK THREE**

### **CONCEPT RESEARCH**

#### **3.1 Introduction**

Welcome to lecture three! It is my joy to have you in this class. We are now starting to delve into core issues of applied marketing research. Last week we introduced the research cycle and identified three stages in the cycle. We identified prelaunch, rollout and established markets stages. In the prelaunch stage we noted the marketing research activities would include research on customers, concept test, product test, name test and test market studies among others. In this class we will focus on a concept test. This is a test carried out on various product ideas before they are developed into products. We will examine the procedure of testing the concepts and the standard expected for a concept to be processed further into a product.

#### **3.2 Intended Learning Outcomes**

At the end of this lecture, you will be able to:

1. Describe a concept in the context of new product development
2. Examine various types of concept tests
3. Discuss concept testing procedure
4. Evaluate ways of testing concepts

#### **Quotes on concept testing**

1. “Failure is okay when it's de-risked by a smaller trial, which is exactly what a concept test accomplishes. It optimizes an already-good product” anonymous
2. “Testing leads to failure, and failure leads to understanding” Burt Rutan
3. “Science is curiosity, testing and experimenting” Venkatraman Ramakrishnan
4. “Never stop testing, and your advertising will never stop improving.” David Ogilvy
5. “Manufacturing is more than just putting parts together. It's coming up with ideas, testing principles and perfecting the engineering, as well as final assembly” James Dyson
6. “I think that probably the most important thing about our education was that it taught us to question even those things we thought we knew. To say you've got to inquire, you've got to be testing your knowledge all the time in order to be more effective in what you're doing.” Thabo Mbeki.
7. “Concept testing is critical in identifying a product’s potential before investing heavily in its development.” – Philip Kotler
8. “You don’t just build a product, test it to see if it works; you test the concept first to ensure there’s demand.” – Steve Blank
9. “The purpose of concept testing is to weed out bad ideas early and focus on the ones that resonate with your target audience.” – Marty Cagan
10. “Great ideas are born in the creative process, but only validated through proper concept testing.” – Al Ries

11. “Concept testing is the first step in a journey that transforms an idea into a successful product or service.” – Clayton Christensen

### **3.3 New product development**

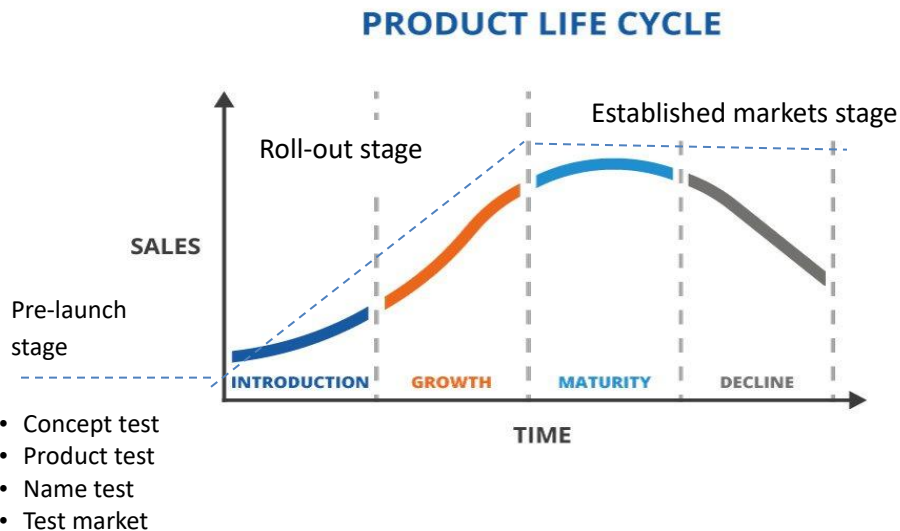
To understand the idea of concept testing we need to review new product development process. The process involves several stages. According to Philip Kotler (2016) the stages include the following:

1. **Idea Generation:** This is the brainstorming phase where new product ideas are conceived from various sources like market research, customer feedback, competitors, or internal innovation teams.
2. **Idea Screening:** Ideas are evaluated to filter out unfeasible or unprofitable ones. Only the most promising ideas move forward.
3. **Concept Development & Testing:** The selected ideas are turned into detailed product concepts. These concepts are tested with target consumers to gauge interest and potential.
4. **Business Analysis:** The financial viability of the product is assessed, including cost projections, sales forecasts, and profitability.
5. **Product Development:** The product concept is developed into a prototype or minimum viable product (MVP). Technical aspects like design, engineering, and production plans are worked out.
6. **Market Testing:** The product is tested in a real-world market scenario, often through a test market or a limited release, to gather consumer response and feedback.
7. **Commercialization:** The product is launched fully into the market with promotional efforts, distribution strategies, and scaling of production.
8. **Post-launch Evaluation:** After the product launch, performance is continuously monitored, and necessary adjustments are made based on consumer feedback and market conditions.

In this lesson we will focus on stages 1, 2 and 3 of new product development. This can be explained further in the diagram below (figure 3.1) on the research cycle. The various researches carried out in prelaunch stage include the following:

- **Market Research:** Identifying target customer needs, preferences, and behaviors.
- **Concept and Product Testing:** Assessing product features, usability, and appeal.
- **Brand Name and Package Testing:** Ensuring the product name and packaging resonate with the market and convey the intended message.
- **Test Marketing:** Launching the product in a controlled or limited market to assess real-world performance and refine strategies.
- **Marketing Strategy Development:** Planning promotional campaigns, pricing, distribution channels, and launch tactics.

**Figure 3.1 Research cycle**



*Source: Kamau, J. N. (2024). The research cycle [Lecture]. Special applications of marketing research, Africa Nazarene University.*

### **3.4 Definition of concept test**

The single most important determinant of market success is the consumers' acceptance of a firm's products. Consumers buy products for their ends benefits i.e. what the product offers in terms of satisfying the consumer's wants and needs, not simply what the physical product is. Concept and product testing procedures are directed at understanding consumers' perceptions of physical product characteristics, end benefit and consequently, the product's ultimate market acceptance. Thus, concept and product tests play an important role in developing effective marketing strategy (Dillon, 1994). Kotler and Keller (2016) define concept testing as "the process of evaluating new product ideas or marketing strategies by presenting them to target consumers before actual development to gauge interest and potential success." Urban and Hauser (1993) explain that "concept testing is a method used in marketing research to assess consumer reactions to a product idea, concept, or prototype in order to refine and validate it before committing to full-scale production." Crawford and Di Benedetto (2015) state that "concept testing involves presenting early-stage ideas or product concepts to potential customers to gather feedback on their appeal, uniqueness, and feasibility, helping businesses make informed development decisions." McDaniel and Gates (2010) describe concept testing as "an evaluation technique where businesses seek feedback from their target market on various elements of a proposed product or service, such as features, pricing, or positioning, before investing in its launch."

From these definitions, we can draw the following key insights about concept testing:

1. **Consumer Perception Focus:** Concept testing procedures are designed to understand how consumers perceive various product characteristics, such as physical attributes, benefits,

and overall appeal. This is critical in determining whether a product will be accepted in the market (Dillon, 1994).

2. **Early Evaluation:** Concept testing occurs early in the product development process. It allows companies to evaluate new ideas and marketing strategies before full development or production, minimizing the risk of investing in a product that may not succeed (Kotler & Keller, 2016).
3. **Market Research Tool:** It is fundamentally a marketing research tool that provides valuable insights into consumer reactions. This feedback helps in refining and validating the product idea, ensuring that only viable concepts move forward (Urban & Hauser, 1993).
4. **Informed Decision-Making:** Concept testing plays a crucial role in helping businesses make informed decisions by gathering consumer feedback on the product's appeal, uniqueness, and feasibility, which is vital in developing effective marketing strategies (Crawford & Di Benedetto, 2015).
5. **Holistic Evaluation:** It involves evaluating multiple aspects of a product concept, such as features, pricing, and positioning. This comprehensive assessment ensures that all critical elements of the product are aligned with consumer expectations and market demand before full-scale commercialization (McDaniel & Gates, 2010).

In essence, these definitions collectively highlight the importance of concept testing as a key tool in mitigating risks, enhancing product-market fit, and ensuring effective marketing strategies.

### **3.5 Philosophy of concept testing**

According to Dillon (1994) a marketing strategy attempts to convince a market segment of consumers that a particular brand possesses those end benefits that they desire and presents evidence to support this claim. Concepts represent the essence of the product. Thus, to be successful, concept testing must capture and communicate effectively this essence (i.e. the spark of the idea). Typically, concept tests are preceded by an opportunity analysis which identifies unfulfilled consumer needs and wants to ensure that the most salient product end benefits are communicated. Concept testing provides a system for reshaping, redefining and coalescing (merging) ideas to arrive at basic concept for a product with greater vitality and potential for market acceptance. Specifically, concept tests are conducted to:

- Quantitatively assess the relative appeal of ideas or alternative product positioning that aim the product at different target market segments by highlighting product features that are most desired by such segments of the population.
- Provide necessary information for developing the product and product advertising.
- Indicate segments of the population in which the product is likely to be concentrated.

### 3.6 Significance of concept testing

Concept testing is a vital step in the product development process, emphasizing the importance of understanding consumer perceptions and market dynamics before launching new products. As highlighted by scholars such as Kotler and Keller (2016), Urban and Hauser (1993), and Crawford and Di Benedetto (2015), effective concept testing can significantly enhance a company's ability to create successful products that meet consumer needs and preferences. Below are key points that elaborate on the significance of concept testing from these authors:

- **Early Identification of Viability:** Concept testing allows businesses to evaluate whether an idea has the potential for success before extensive investment in development. By assessing concepts early, companies can focus on the most promising ideas and avoid wasting resources on unviable options. This strategic approach can lead to a higher success rate in product launches.
- **Consumer Feedback:** By directly engaging with potential customers, businesses can gather qualitative and quantitative feedback on their product concepts. This feedback is invaluable for understanding consumer preferences, allowing companies to adjust features, design, and messaging to better align with market expectations. For example, focus groups or surveys can reveal specific consumer desires that can be integrated into the product.
- **Risk Reduction:** Product development involves significant financial risk. Concept testing helps mitigate this by identifying potential issues and misunderstandings before the product enters the market. Research indicates that effective concept testing can decrease the likelihood of product failure by ensuring that the product meets consumer needs and desires (Urban & Hauser, 1993).
- **Informed Decision-Making:** The insights gained from concept testing enable more informed decision-making at various levels within an organization. It equips marketing, design, and development teams with data-driven insights that can guide their strategies. This comprehensive understanding can lead to more targeted marketing efforts and resource allocation.
- **Enhanced Product-Market Fit:** A strong alignment between product features and consumer needs is crucial for market success. Concept testing allows businesses to refine their offerings based on consumer feedback, ultimately leading to a product that better meets market demand. Achieving product-market fit can significantly enhance customer satisfaction and loyalty.
- **Cost-Effectiveness:** By identifying flaws and areas for improvement early, concept testing can save companies substantial costs associated with later-stage product changes, recalls, or failures. According to McDaniel and Gates (2010), addressing potential issues during the concept phase is more economical than adjusting post-launch.
- **Competitive Advantage:** Understanding consumer preferences through concept testing can provide a competitive edge. By being more attuned to market needs, companies can

differentiate their products and tailor marketing strategies that resonate with their audience, ultimately leading to better market positioning (Crawford & Di Benedetto, 2015).

- Iterative Improvement: Concept testing is not a one-time event; it can be repeated multiple times during the development cycle. This iterative approach allows businesses to continuously refine and improve their concepts based on evolving consumer feedback, market trends, and competitive landscape, fostering a culture of innovation and responsiveness.

In conclusion, concept testing serves as a critical foundation for successful product development, allowing businesses to align their offerings with consumer expectations while minimizing risks. By systematically gathering and analyzing consumer feedback, companies can make informed decisions that not only enhance product-market fit but also lead to higher success rates in the competitive marketplace. As organizations continue to embrace a consumer-centric approach, the role of concept testing will undoubtedly remain pivotal in fostering innovation and driving sustainable growth.

### **3.7 Concept testing and research cycle**

Procedures for concept testing vary greatly depending on the stage of the research cycle (Dillon, 1994).

- (i) Early pre-launch stage: in this stage, concept testing can be used to screen new product ideas and to identify the most promising concepts. In this type of concept test, the focus is on core benefit concept. The core benefit concept focuses directly on the product's main end benefits with little, if any, emphasis on secondary features.
- (ii) Pre-launch stage: Concept testing can alternatively be used later in the pre-launch test market phase to estimate ultimate consumer demand for the basic product concept before risking national rollout. In this type of concept test, the focus is on a positioning concept statement. A positioning concept statement lists all of the products' end benefits as well as various secondary features.
- (iii) After roll-out stage: Concept tests can also be used after rollout of a product in established markets to investigate the level of consumer interest in a competitive new product concept or for line extensions of existing brands. In this setting, the concept test could also identify the key appeal for the competitive entry and areas in which the established brand is particularly vulnerable.

### **3.8 Categories of concept testing**

There are two broad categories of concept tests (Dillon 1994):

1. *Concept screening tests*: They identify and prioritize these ideas (out of many concepts) with greatest potential for further testing and development. The screening can be undertaken with respect to:

- Many different new product ideas

- Alternative end benefit incentives for the same new product idea.

This initial screening of product ideas and end benefits is done to come up with those that should go to the next stage of testing. This type of concept testing is generally conducted very early in the research cycle.

2. *Concept evaluation tests*: They gauge the level of consumer interest in a new product idea and determine the major strengths and weaknesses of the appeal/concept. These tests are performed at various stages of the product research cycle, that is, early in the pre-launch stage or just before a test market. Concept screening tests are designed to evaluate a set of ideas before significant resources are committed to their development.

**Table 3.1 Types of concept tests**

Type of Concept Testing	Description	Strengths	Weaknesses
<b>Qualitative Concept Testing</b>	Involves focus groups, interviews, or discussions with a small group of target consumers for feedback.	<ul style="list-style-type: none"> <li>- <b>In-depth Insights</b>: Deep exploration of consumer attitudes and perceptions.</li> <li>- <b>Flexibility</b>: Facilitates spontaneous discussion, uncovering unexpected insights.</li> <li>- <b>Emotional Reactions</b>: Understands emotional responses crucial for branding.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Limited Sample Size</b>: Results may not be generalizable.</li> <li>- <b>Bias Potential</b>: Group dynamics may lead to conformity.</li> <li>- <b>Time-Consuming</b>: Requires significant time for organization and analysis.</li> </ul>
<b>Quantitative Concept Testing</b>	Employs surveys or questionnaires distributed to a larger sample for numerical data on concept viability.	<ul style="list-style-type: none"> <li>- <b>Statistical Validity</b>: Results are statistically valid and generalizable.</li> <li>- <b>Scalability</b>: Can reach a broad audience quickly.</li> <li>- <b>Objective Data</b>: Provides measurable data for easy analysis.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Lack of Depth</b>: May miss nuanced consumer insights.</li> <li>- <b>Response Bias</b>: Participants may provide socially desirable answers.</li> </ul>
<b>Prototype Testing</b>	Involves creating a physical or digital prototype for consumer interaction and feedback.	<ul style="list-style-type: none"> <li>- <b>Real-world Interaction</b>: Consumers experience the product, leading to relevant feedback.</li> <li>- <b>Identifies Usability Issues</b>: Uncovers practical problems not evident in concept discussions.</li> <li>- <b>Iterative Development</b>: Provides a basis for iterative improvements based on feedback.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Costly</b>: Developing prototypes can be expensive.</li> <li>- <b>Limited Scope</b>: Feedback may be limited to current features.</li> <li>- <b>Time-Consuming</b>: Prototyping and testing can extend development timelines.</li> </ul>

<b>Concept Testing with Concept Boards</b>	Uses visual presentations that include images, text, and stimuli to convey a product idea.	<ul style="list-style-type: none"> <li>- <b>Visual Appeal:</b> Helps consumers visualize the concept, enhancing understanding.</li> <li>- <b>Quick Feedback:</b> Efficiently gathers consumer reactions and preferences.</li> <li>- <b>Useful for Marketing:</b> Can test branding and promotional elements.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Ambiguity:</b> Visuals can be interpreted differently, leading to varied feedback.</li> <li>- <b>Surface-Level Insights:</b> May not provide deep insights into consumer motivations.</li> <li>- <b>Dependence on Design Quality:</b> Poorly designed boards can mislead participants.</li> </ul>
<b>Market Simulation</b>	Uses simulated market environments where consumers interact with the concept and competitors.	<ul style="list-style-type: none"> <li>- <b>Realistic Environment:</b> Mimics actual shopping conditions for insights into consumer behavior.</li> <li>- <b>Competitive Analysis:</b> Helps understand how a product might perform relative to competitors.</li> <li>- <b>Dynamic Feedback:</b> Allows for immediate adjustments based on consumer interactions.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Complex Setup:</b> Creating a realistic simulation can be expensive and technically complex.</li> <li>- <b>Limited Context:</b> May not capture all external factors influencing buying decisions.</li> <li>- <b>Behavioral Bias:</b> Consumer behavior in simulations may not reflect actual purchasing behavior.</li> </ul>

Source: adopted from Malhotra, (2007), Kotler, & Keller, (2016), Urban, & Hauser (1993), Crawford & Di Benedetto, (2015) and Givon, & Mahajan (1982).

### 3.8 Review Questions

1. Explain how concept testing helps in minimizing product development risks. Provide examples from the text to support your answer.
2. What is the significance of "idea screening" in the new product development process? How does it relate to concept testing?
3. Compare and contrast qualitative concept testing (focus groups, interviews) and quantitative concept testing (surveys, numerical data). What are the advantages and disadvantages of each?
4. Why is early consumer feedback critical in concept testing, and how can it affect the success of a new product? Reference insights from scholars like Urban and Hauser.
5. Describe the relationship between concept testing and a company's ability to achieve a strong product-market fit. How does this influence the likelihood of market success?
6. What role does post-launch evaluation play in new product development, and how can concept testing guide this phase?
7. Discuss the iterative nature of concept testing in product development. Why is it important for businesses to refine their concepts multiple times?
8. Explain the use of prototypes in concept testing. What are the key benefits and challenges associated with prototype testing, as mentioned in the text?
9. How can concept testing influence a product's marketing strategy, particularly in terms of consumer perception and brand positioning?
10. In the research cycle, at which stages is concept testing most critical, and why? Provide examples of how concept testing is used in the pre-launch phase.

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