

Volume

4

THE IN-DEPTH  
BEST PRACTICES SERIES

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IN - DEPTH  
STRATEGIC MARKET RESEARCH

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## Introduction

### *Product extensions, not new products*

Market research textbooks typically address the new product development process as if companies create new products from a blank slate. The textbooks remind us that “*Anything is possible*” and that we should “*Start with no preconceptions*” and “*Leave no stone unturned.*”

It’s true that some companies spend millions of dollars looking beneath every rock for game-changing new product ideas. But, for the vast majority, the product development process takes place within very narrow boundaries. No matter how much a company says that it “*Values innovation*” or is “*Constantly re-inventing itself,*” most organizations do not want revolutionary new products. The risks are too high – the political battles too vicious – the future too unclear.

The vast majority of new products are actually enhancements, modifications, or extensions of existing products or technologies. Take, for example, two of the most successful technology companies in the world.

- Apple has had two really “New” products, the Mac (20 years ago) and the iPod (5 years ago). Everything else has been incremental. Dramatic, wonderful, important, and successful, but incremental.
- Or consider Microsoft. Vista is a much better version of Windows, but, no matter what Microsoft says, it’s still Windows.

In the real world, the new product research process is rarely about looking under rocks for revolutionary, new products. It is really about exploring, validating, refining, and measuring interest in new extensions to existing products.

# The Product Development Process

*The 4 step process*

*At In-Depth Research, we approach product development research through a 4-step process.*

1. Hypothesis Building
2. Understanding the Market
3. Refining Product Concepts
4. Concept Validation

## Step 1: Hypothesis Building

### *Driving a Stake in the Ground*

#### Overview

Product development research is most successful when the team begins with a set of well-defined market hypotheses. Clients are often reluctant to establish hypotheses, fearing that doing so will narrow the development process, limit their thinking, or make it more difficult to identify new ideas. In fact, just the opposite is true.

Products are not developed in a vacuum. The marketing team already holds many assumptions about the market. Hypothesis building is simply the clear articulation and documentation of these assumptions.

The goal of the research is not to prove that the assumptions are correct, but to create a reference point against which to compare the research findings.

- If the research confirms our assumptions, we can feel more confident about the thinking process that went into the product development plan.
- If we obtain unexpected answers, we need to ask ourselves how the product concept needs to be changed to reflect these corrected assumptions.

#### Methodology

We begin the project with a team strategy meeting. The focus of this meeting is to:

1. Thoroughly define the objectives of the research.
2. List what we know (or think we know) about the market (previous research – current sales activity in the segment, analyst reports, etc.).
3. Complete the *Market Assumptions and Implications Template*. (see below)



## Step II: Understanding the Market

### *Hypothesis Testing*

#### Overview

The nature of the opportunity is revealed by exploring the target, its needs, product uses, aspirations, beliefs, perceptions, etc. This process lies at the heart of the research process.

The following research objectives were developed for a recent research study. A major software company was looking for opportunities to extend its brand into advanced reporting tools.

- **Reporting Needs:** What types of reports are users currently producing or would like to produce?
- **Pain Points:** How do their existing tools fall short of their needs?
- **Work Arouns:** How do they deal with the shortcomings of current software?
- **Ideal Product:** What are the characteristics of their ideal software tools?
- **Purchase Barriers:** What factors limit their adoption of more professional tools?
- **Brand Perceptions:** Does the client's brand equity extend to the report tools space?

You'll notice that these objectives are clearly related to the respondent's current needs for reporting tools. This is not a fishing expedition in search of unmet needs. This is a focused research effort whose goal is to uncover opportunities to leverage and extend the client's brand franchise.

## Methodology

This phase is best approached qualitatively. At this point, you are looking to explore – not measure. You can use individual interviews, small groups (such as triads), or full size groups. The size of the group is driven by the research objectives.

- In this software study, we used individual interviews. We needed to gain a much better understanding of exactly how individuals use their current tools to create reports.
- In another recent product study, we utilized full-sized groups. For that study, we wanted to experience the interaction between participants in order to help us learn more about the emotional factors behind their product selections and brand perceptions.

## Preliminary Concept Evaluations

According to those textbooks mentioned earlier, these early focus groups should be utilized only for gathering information – not evaluating any new product concepts.

However, that is not reality. In truth, companies nearly always have some product concepts in mind. They're ideas they've been kicking around, sometimes for years. Because these ideas have become part of the client's culture, you must include them in the research.

Otherwise, you run the risk of someone saying “*Why didn't you test my idea for XYZ? They would have loved that idea.*” It may not be the right thing to do according to the book, but that's the way the real world of product development research works.

## Step III: Crafting the Product Concepts

### *Gaining Consensus*

#### Overview

The goal of this phase is to ensure that the product concepts have been fully optimized to reflect the refreshed understanding of the market that was achieved in Phase II. This typically involves:

- Eliminating some of the early concepts that the client brought to the table
- Revising some of the existing concepts
- Developing new concepts for testing

#### Methodology

Conduct a team off-site meeting to:

1. Review findings from Step II
2. Compare findings against Step I hypotheses
3. Document the new market assumptions
4. Determine the implications of the new findings
5. Refine, expand, and extend product concepts to reflect new market assumptions
6. Brainstorm on new concepts that reflect revised market assumptions

## Step IV: Validating the Concepts

*Where the rubber meets the road*

### Overview

**I**n this phase, the revised concepts are tested with the target audience. Here, the goal is to determine:

- Their overall interest and interest by customer segments
- Likelihood of purchase
- Pricing considerations
- Fit with the brand
- Etc.

### Methodology

A two-step research methodologies approach is preferred, if timing and budget allow.

#### Qualitative Research:

Whenever possible, conduct another round of qualitative research. Qualitative research is not a good predictor of how well a new product will perform in the market. But a few additional groups will provide valuable insight into:

- Which product elements the target is most attracted to and which need more work.
- The right language to describe the concept.
- How the concept fits into the target's current experience
- What changes could help enhance the target's interest in the concept

We typically utilize small groups to gather feedback on the new concepts. Triads are often the best approach, providing both the benefits of group interaction and a smaller group's more manageable dynamics.

#### Quantitative Research:

Quantitative research is the final step. Any number of data collection methods can be used. Online surveys are generally the fastest and most economical. However, in-person interviews (e.g., mall intercepts) are sometimes used when there is a need for respondents to physically interact with a prototype.

The key issues to be aware of in conducting quantitative research include:

- Sample: Are we talking to the right people?
- Presentation: How can the concept be presented in a balanced and realistic manner?
- Realism: Do any advanced methodologies (e.g., Conjoint, Discreet Choice) present the purchase decision process in a manner that realistically reflects the marketplace?
- Validity: It's much easier to say you'll buy a product than to actually go into a store and spend your money. Therefore, any purchase intent numbers must be lowered or deflated to present a more realistic picture of buying intent.

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Contents are the property of:  
IN-DEPTH RESEARCH  
2090 Vistazo East, Tiburon CA 94920  
Phone (415) 789-1042 - Fax (415) 789-0366  
jacob@in-depthresearch.com – www.in-depthresearch.com