

CHALLENGES IN DEVELOPING A NEW PRODUCT

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- Satisfy the goals for new product success set by senior management
- Lead to profitable products according to criteria established by management
- Satisfy needs and wants of targeted customers and consumers
- Respect certain financial impositions set by management (i.e., be developable within certain budgetary and time constraints)
- Be within the marketability and sales skills of the company

Various other challenges are also present like-

Production costs

- Overhead costs: these can be assumed to be the same as those for similar in-house product (but the novelty of the new product may confound this assumption)
- Co-packer fees and costs (if product cannot be produced in-house)
- Capital expenditures for new equipment or other plant facilities (special handling equipment; storage or warehousing facilities)
- Packaging and labeling materials (new containers, packaging and container design, label design)
- Raw material and ingredients: seasonality, quality standard demands, availability may challenge financial assumptions
- Process and product quality control (can be assumed to be part of overhead costs but additional impact on facilities cannot be assessed fully)

Development costs

- Market research (focus groups, taste testings [mini-market tests, in-home placements, etc.], surveys, etc.)
- Technical research (laboratory research, test kitchen development, shelf life testing, pilot plant trials, toxicological and environmental testing)
- Consulting fees for outside market or technical research

Marketing, launch, and sales costs

- Test market and follow-up
- Advertising materials (brochures, handbills, coupons, etc.)
- Advertising preparation, and promotional costs, media costs
- Slotting fees and other retail trade promotion practices

Clientele

- Runs the gamut of those seeking gratification of sensuous pleasure with cost no concern to those eating of necessity in order to get on with something else to those who have to be fed for humanitarian, military, or medical reasons.

Facilities

- From well-equipped to barely adequate preparation equipment. Caterer often has to supply equipment. Many are “heat and hold” facilities.

Skill levels

- Skill levels are highly variable within the commercial and noncommercial sectors of the food service industry; training levels are high in white table cloth restaurants down to minimum in fast-food chains.

Labor and labor costs

- In general, labor in the food service arena is mobile or transient or both; chefs and sous-chefs are highly mobile with their skills; summer help is transient. Labor costs are high in such establishments. Labor in lower quality restaurants is usually lower paid and is often transient. Food commissaries have labor problems similar to those of any food manufacturing establishment; workers work in hot, dirty, noisy environments where often little formal education is required and basic language skills are not necessary.

Expensive real estate

- Restaurants, company cafeterias, and fast-food outlets are sited in high traffic areas (downtown areas, office buildings, busy streets or highways), and this results in high

taxation and high property values. For these reasons, work area to income earning area is kept at a minimum.

Environmental areas of concern

- Site locations make odor elimination and waste removal imperative; elimination and removal is expensive. Removal and elimination can themselves be operations that irritate neighboring residents or establishments.
- Hours of operation (noise and traffic pollution) can result in local by-law regulations.

Energy costs

- Restaurant operations are energy intensive.

Consistency, price, quality and safety

- Quality and price must vary with budget restrictions established for raw materials and ingredients. Consistency must be constant and safety is paramount.

REFERENCE-

- 1) Fuller, Gordon W. (2004). New Product Development- from concept to marketplace.