**Development Process for a New Product/Service**

**Kellogg’s Crunchy Nut Bites (2008)**

1. Idea Generation
2. Product Screening
3. Concept Development
4. Feasibility Study
5. Prototype Development
6. Test Marketing
7. Product Launch



Example Kellogg’s Crunchy Nut Bites

1. **Idea Generation**

This involves the search for possible product ideas which the company feels it will want. Many ideas must be generated to find a few that will be successful. The sources may be within or outside the business and brainstorming is one technique which is often used.

Kellogg’s is the world’s leading producer of breakfast cereals, selling in over 180 countries worldwide. In an established market, there is little room to increase sales so Kellogg’s are constantly trying to come up with new ideas. They wanted to come up with a new crunchy nut product on the back of Crunchy Nut Cornflakes in 1980, and Crunchy Nut Clusters in 2003, and so did market research asking customers what type of new products it would like as well as trends and similar products out there. They used this information to generate a list of options for a Crunchy Nut product.

1. **Product Screening**

This involves selecting the product ideas which have the best potential for sales. The products that are selected at this stage have the greatest potential for development. However, care must be exercised not to reject products which if developed could be marketed successfully. Market research will be conducted to determine the response of customers, such as further SWOT Analysis

Kellogg’s put all the ideas generated up on boards and showed them to representative consumers. They had pictures showing product ideas and a description of what the new product would be like. The research showed Crunchy Nut Bites to be the best liked.

1. **Concept Development**

This involves developing basic ideas into a detailed version of the new product. The emerging product should be capable of satisfying basic consumer needs. The features of the product which make it different from other products on the market is called its unique selling point (USP).

Following surveys, research revealed the Bites idea was the most popular. Kellogg’s developed the following concept: they would be an extension of the Crunchy Nut family but would provide a new flavour and texture for consumers.

1. **Feasibility Study**

This looks in detail at the product’s commercial feasibility. Can the product be produced at a cost and sold at a price, which will enable a profit to be made?  
Consumer demand must be analysed through market research and the type of marketing mix for the product will be considered.

Market research helped calculate a sales forecast for the new product. All the figures revealed that Crunchy Nut Bites would be highly profitable and so Kellogg’s proceeded with the idea.

1. **Prototype Development**

This stage involves the production of one of a small number of units of the product. It can be an expensive and tedious phase of the process as production difficulties and modifications to the product are identified and clarified.

Kellogg’s made a number of prototypes including a nutty triangle. The Crunchy Nut Bites recipe was refined using the feedback from customer surveys.

1. Test Marketing

The new product is released on the market on a small scale to the target market. Consumer reaction is compiled and any necessary changes to the marketing mix must be made. If the test marketing proves unsuccessful a decision to postpone the launch or abandon the project could be taken.

At Kellogg’s, every product has to undergo the ‘In Home Usage Test’. Consumers are given the product to try for several days and this enables Kellogg’s to see how consumers interact with the product. At the end of the trial, consumers complete a questionnaire. This measures how appealing the product is.

1. **Product Launch**

Assuming the test marketing goes well the business will commence production and the advertising and promotional campaign will be implemented.

Kellogg’s launched Crunchy Nut Bites in September 2008. Sales datashow it was one of the best performing brands to launch in the breakfast cereal category with a sales value of almost €10 million in its first full year of sales.

*Evaluation*

**Although it is a lengthy and expensive process, The Product Development Process is definitely an essential one. The costs of launching a product that does not successfully go through these stages will far outweigh the costs involved in the process. It is not just a financial cost, as customers may also move to competitors if they are not satisfied with what you are offering.**

**Many products and services break down across the stages, either the idea itself does not become possible or it becomes too costly along the way. Still though, it is very necessary for successful businesses such as Kellogg’s.**